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HOUSE OF REPRESENTATIVES

REPORT No.
97-994

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ACTIVITIES

OF THE

HOUSE COMMITTEE ON GOVERNMENT OPERATIONS

NINETY-SEVENTH CONGRESS

FIRST AND SECOND SESSIONS

1981-1982

(Pursuant to House Rule XI, 1(d))

DECEMBER 1982

DECEMBER 30, 1982.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

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I

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LETTER OF TRANSMITTAL

House of Representatives,
Washington, D.C., December 30, 1982.

Hon. Edmund L. Henshaw, Jr.,
Clerk of the House of Representatives,
Washington, D.C.

Dear Mr. Henshaw: We are pleased to submit the enclosed report entitled "Activities of the House Committee on Government Operations, 97th Congress, First and Second Sessions."

This report follows the committee's past practice of publishing its activities report annually as an interim report at the end of each first session of a Congress and as separate final report at the end of a full congress.

The present report includes matter required by Rule XI, 1(d) to be reported to the House not later than January 2, 1983, on the activities of the committee and in carrying out its duty under Rule X to "review and study, on a continuing basis, the application, administration, execution, and effectiveness" of laws whose subject matter is within the jurisdiction of the committee.

Accordingly, we submit the enclosed as incorporating our report in compliance with the above rule. We invite attention to Part Two, II, "Legislation," and the introductory paragraphs of Part One, IV, B, "Legislation."

Sincerely yours,

Jack Brooks, *Chairman.*

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Union Calendar No. 613

97TH CONGRESS
2d Session

HOUSE OF REPRESENTATIVES

REPORT
No. 97-994

ACTIVITIES OF THE HOUSE COMMITTEE ON GOVERNMENT OPERATIONS

DECEMBER 30, 1982.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. BROOKS, from the Committee on Government Operations, submitted the following

REPORT

ACTIVITIES OF THE HOUSE COMMITTEE ON GOVERNMENT OPERATIONS, 97TH CONGRESS, FIRST AND SECOND SESSIONS, 1981-82

PART ONE. GENERAL STATEMENT OF ORGANIZATION

I. Jurisdiction, Authority, Powers, and Duties

The Rules of the House of Representatives provide for election by the House, at the commencement of each Congress, of 22 named standing committees, one of which is the Committee on Government Operations.[1] Pursuant to House Resolutions 44 and 45 (adopted Jan. 28, 1981) listing members of committees, the membership of the Committee on Government Operations was set at 40, an increase of one from the previous Congress. On February 24, 1982, House Resolution 370 was adopted, which appointed Congresswoman Barbara B. Kennelly to the committee, increasing the membership to 41.

Rule X sets forth the committee's jurisdiction, functions, and responsibilities as follows:

---

[1] Rule X.

RULE X

ESTABLISHMENT AND JURISDICTION OF STANDING COMMITTEES

THE COMMITTEES AND THEIR JURISDICTION

1. There shall be in the house the following standing committees, each of which shall have the jurisdiction and related functions assigned to it by this clause and clauses 2, 3, and 4; and all bills resolutions, and other matters relating to subjects within the jurisdiction of any standing committee as listed in this clause shall (in accordance with and subject to clause 5) be referred to such committees, as follows:

* * * * * * *

(j) COMMITTEE ON GOVERNMENT OPERATIONS

(1) Budget and accounting measures, other than appropriations.

(2) The overall economy and efficiency of Government operations and activities, including Federal procurement.

(3) Reorganizations in the executive branch of the Government.

(4) Intergovernmental relationships between the United States and States and municipalities, and general revenue sharing.

(5) National archives.

In addition to its legislative jurisdiction under the preceding provisions of this paragraph (and its oversight functions under clause 2(b) (1) and (2)), the committee shall have the function of performing the activities and conducting the studies which are provided for in clause 4(c).

* * * * * * *

GENERAL OVERSIGHT RESPONSIBILITIES

2. (a) In order to assist the House in—

(1) its analysis, appraisal, and evaluation of (A) the application, administration, execution, and effectiveness of the laws enacted by the Congress, or (B) conditions and circumstances which may indicate the necessity or desirability of enacting new or additional legislation, and

(2) its formulation, consideration, and enactment of such modifications of or changes in those laws, and of such additional legislation, as may be necessary or appropriate, the various standing committees shall have oversight responsibilities as provided in paragraph (2).

(b)(1) Each standing committee (other than the Committee on Appropriations and the Committee on the Budget) shall review and study, on a continuing basis, the application, administration, execution, and effectiveness of those laws, or parts of laws, the subject matter of which is within the jurisdiction of that committee, and the organization and operation of the Federal agencies and entities having responsibilities in or for the administration and execution thereof, in order to determine whether such laws and the programs thereunder are being implemented and carried out in accordance with the intent of the Congress and whether such programs should be continued, curtailed, or eliminated. In addition, each such committee shall review and study any conditions or circumstances which may indicate the necessity or desirability of enacting new or additional legislation within the jurisdiction of that committee (whether or not any bill or resolution has been introduced with respect thereto), and shall on a continuing basis undertake future research and forecasting on matters within the jurisdiction of that committee. Each such committee having more than twenty members shall establish an oversight subcommittee, or require its subcommittees, if any, to conduct oversight in the area of their respective jurisdiction, to assist in carrying out its responsibilities under this subparagraph. The establishment of oversight subcommittees shall in no way limit the responsibility of the subcommittees with legislative jurisdiction from carrying out their oversight responsibilities.

(2) The Committee on Government Operations shall review and study, on a continuing basis, the operation of Government activities at all levels with a view to determining their economy and efficiency.

* * * * * * *

(c) At the beginning of each Congress, an appropriate representative of the Committee on Government Operations shall meet with appropriate representatives of each of the other committees of the House to discuss the oversight plans of such committees and to assist in coordinating all of the oversight activities of the House during such Congress. Within 60 days after the Congress convenes, the Committee on Government Operations shall report to the House the results of such meetings and discussions, and any recommendations which it may have to assure the most effective coordination of such activities and otherwise achieve the objectives of this clause.

(d) Each standing committee of the House shall have the function of reviewing and studying on a continuing basis the impact or probable impact of tax policies affecting subjects within its jurisdiction as described in clauses 1 and 3.

* * * * * * *

ADDITIONAL FUNCTIONS OF COMMITTEES

4. * * *

* * * * * * *

(c)(1) The Committee on Government Operations shall have the general function of—

(A) receiving and examining reports of the Comptroller General of the United States and of submitting such recommendations to the House as it deems necessary or desirable in connection with the subject matter of such reports;

(B) evaluating the effects of laws enacted to reorganize the legislative and executive branches of the Government; and

(C) studying intergovernmental relationships between the United States and the States, and municipalities, and between the United States and international organizations of which the United States is a member.

(2) In addition to its duties under subparagraph (1), the Committee on Government Operations may at any time conduct investigations of any matter without regard to the provisions of clause 1, 2, or 3 (or this clause) conferring jurisdiction over such matter upon another standing committee. The committee's findings and recommendations in any such investigation shall be made available to the other standing committee or committees having jurisdiction over the matter involved (and included in the report of any such other committees when required by clause 2(l)(3) of Rule XI).

* * * * * * *

Rule XI provides authority for investigations and studies, as follows:

RULE XI

RULES OF PROCEDURE FOR COMMITTEES

IN GENERAL

1.* * *

* * * * * * *

(b) Each committee is authorized at any time to consider such investigations and studies as it may consider necessary or appropriate in the exercise of its responsiblities under Rule X, and (subject to the adoption of expense resolutions as required by clause 5) to incur expenses (including travel expenses) in connection therewith.

* * * * * * *

(d) Each committee shall submit to the House, not later than January 2 of each odd-numbered year, a report on the activities of that committee under this rule and Rule X during the Congress ending at noon on January 3 of such year.

* * * * * * *

COMMITTEE RULES

* * * * * * *

Power to sit and act; subpena power

(m)(1) For the purpose of carrying out any of its functions and duties under this rule and Rule X (including any matters referred to it under clause 5 of Rule X), any committee, or any subcommittee thereof, is authorized (subject to subparagraph (2)(A) of this paragraph)—

(A) to sit and act at such times and places within the United States, whether the House is in session, has recessed, or has adjourned, and to hold such hearings, and

(B) to require, by subpena or otherwise, the attendance and testimony of such witness and the production of such books, records, correspondence, memorandums, papers, and documents as it deems necessary. The chairman of the committee, or any member designated by such chairman, may administer oaths to any witness.

(2)(A) A subpena may be authorized and issued by a committee or subcommittee under subparagraph (1)(B) in the conduct of any investigation or series of investigations or activities, only when authorized by a majority of the members voting, a majority being present. The power to authorize and issue subpenas under subparagraph (1)(B) may be delegated to the chairman of the committee pursuant to such rules and under such limitations as the committee may prescribe. Authorized subpenas shall be signed by the chairman of the committee or by any member designated by the committee.

(B) Compliance with any subpena issued by a committee or subcommittee under subparagraph (1)(B) may be enforced only as authorized or directed by the House.

Use of committee funds for travel

(n)(1) Funds authorized for a committee under clause 5 are for expenses incurred in the committee's activities; however, local currencies owned by the United States shall be made available to the committee and its employees engaged in carrying out their official duties outside the United States, its territories or possessions. No appropriated funds, including those authorized under clause 5, shall be expended for the purpose of defraying expenses of members of the committee or its employees in any country where local currencies are available for this purpose; and the following conditions shall apply with respect to travel outside the United States or its territories or possessions:

(A) No Member or employee of the committee shall receive or expend local currencies for subsistence in any country for any day at a rate in excess of the maximum per diem set forth in applicable Federal law, or if the Member or employee is reimbursed for any expenses for such day, then the lesser of the per diem or the actual, unreimbursed expenses (other than for transportation) incurred by the Member or employee during that day.

(B) Each member or employee of the committee shall make to the chairman of the committee an itemized report showing the dates each country was visited, the amount of per diem furnished, the cost of transportation furnished, any funds expended for any other official purpose and shall summarize in these categories the total foreign currencies and/or appropriated funds expended. All such individual reports shall be filed no later than sixty days following the completion of travel with the chairman of the committee for use in complying with reporting requirements in applicable Federal law and shall be open for public inspection.

(2) In carrying out the committee's activities outside of the United States in any country where local currencies are unavailable, a Member or employee of the committee may not receive reimbursement for expenses (other than for transportation) in excess of the maximum per diem set forth in applicable Federal law, or if the Member or employee is reimbursed for any expenses for such day, then the lesser of the per diem or the actual, unreimbursed

expenses (other than for transportation) incurred by the Member or employee during any day.

(3) A Member or employee of a committee may not receive reimbursement for the cost of any transportation in connection with travel outside of the United States unless the Member or employee has actually paid for the transportation.

(4) The restrictions respecting travel outside of the United States set forth in subparagraphs (2) and (3) shall also apply to travel outside of the United States by Members, officers, and employees of the House authorized under clause 8 of rule I, clause 1(b) of this rule, or any other provision of these Rules of the House of Representatives.

(5) No local currencies owned by the United States may be made available under this paragraph for the use outside of the United States for defraying the expenses of a Member of any committee after—

(A) the date of the general election of Members in which the Member has not been elected to the succeeding Congress; or

(B) in the case of a Member who is not a candidate in such general election, the earlier of the date of such general election or the adjournment sine die of the last regular session of the Congress.

The committee also exercises authority under a number of congressional mandates.[2]

5 U.S.C. sec. 2954

Information to committees of Congress on request

An executive agency, on request of the Committee on Government Operations of the House of Representatives or of any seven members thereof, or on request of the Committee on Government Operations of the Senate, or any five members thereof, shall submit any information requested of it relating to any matter within the jurisdiction of the committee. (Sept. 6, 1967; Public Law 89-554; 80 Stat. 378, 413.)

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[2] For legislation imposing duties specifically on the committee, *see*, for example, sec. 203 (e)(6) of the Federal Property and Administrative Services Act of 1949, as amended (40 U.S.C. 484(6)(e)), relating to negotiated disposal of Federal surplus property. It requires that explanatory statements be sent "to the appropriate committees of the Congress" in advance of negotiated disposal under that act of all real and personal property (with limited exceptions) whose fair market value exceeds $1,000. The present statutory language stems from a 1958 amendment (Act of July 2, 1958; 72 Stat. 288). In the legislative report on that amendment, the Committee on Government Operations was specifically mentioned as the appropriate committee of the House (H. Rept. 1763, 85th Cong., pp. 3-5). *See* 41 CFR 101-47. 304-12(d). Previously, under the original language of this provision (sec. 1(i) of the Act of July 12, 1952; 66 Stat. 593), it had likewise been the Government Operations Committee's junction to receive such explanatory statements. (Cf. H. Rept. No. 982, 83d Cong. p. 2.) *See also* sec. 414(a) of the Housing and Urban Development Act of 1969, as amended by the Housing and Urban Development Act of 1970 (Public Law 91-609, Dec. 31, 1970), relating to disposition of surplus land for low- and moderate-income housing. *See also* sec. 304 of the Intergovernmental Cooperation Act of 1968 (Public Law 90-577), under which executive agencies must furnish each year to the Committees on Government Operations summary reports of special or technical services provided to local governments. *See also* 2 U.S.C. secs. 191-194, relating to oaths and testimony before a congressional committee.

31 U.S.C. sec. 53(b)

Investigations and reports by Comptroller General

* * * * * * *

(b) He [the Comptroller General] shall make such investigations and reports as shall be ordered by either House of Congress or by any committee of either House having jurisdiction over revenue, appropriations, or expenditures. The Comptroller General shall also, at the request of any such committee, direct assistants from his office to furnish the committee such aid and information as it may request. (June 10, 1921; ch. 18, title III, sec. 312; 42 Stat. 25.)

31 U.S.C. sec. 60

Analyses of executive agencies' expenditures by Comptroller General; reports to congressional committees

The Comptroller General is authorized and directed to make an expenditure analysis of each agency in the executive branch of the Government (including Government corporations), which, in the opinion of the Comptroller General, will enable Congress to determine whether public funds have been economically and efficiently administered and expended. Reports on such analyses shall be submitted by the Comptroller General, from time to time, to the Committees on Government Operations, to the Appropriations Committees, and to the legislative committees having jurisdiction over legislation relating to the operations of the respective agencies of the two Houses. (Aug. 2, 1946; ch. 753, title II, § 206; 60 Stat. 837.)[3]

18 U.S.C. sec. 1505

Obstruction of proceedings before departments, agencies, and committees

Whoever corruptly, or by threats or force, or by any threatening letter or communication, endeavors to influence, intimidate, or impede any witness in any proceeding pending before any department or agency of the United States, or in connection with any inquiry or investigation being had by either House, or any committee of either House, or any joint committee of the Congress; or

Whoever injures any party or witness in his person or property on account of his attending or having attended such proceeding, inquiry, or investigation, or on account of his testifying or having testified to any matter pending therein; or

Whoever, with intent to avoid, evade, prevent, or obstruct compliance, in whole or in part, with any civil investigative demand duly and properly made under the Antitrust Civil Process Act, willfully withholds, misrepresents, removes from any place, conceals, covers up, destroys, mutilates, alters, or by other means falsifies any documentary material, answers to written interrogatories, or oral testimony, which is the subject of such demand; or attempts to do so or solicits another to do so; or

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[3] For other requirements which relate to General Accounting Office reports to Congress and which affect the committee, *see* secs. 232 and 236 of the Legislative Reorganization Act of 1970 (Public Law 91-510).

Whoever corruptly, or by threats or force, or by any threatening letter or communication influences, obstructs, or impedes or endeavors to influence, obstruct, or impede the due and proper administration of the law under which such proceeding is being had before such department or agency of the United States, or the due and proper exercise of the power of inquiry under which such inquiry or investigation is being had by either House, or any committee of either House or any joint committee of the Congress—

Shall be fined not more than $5,000 or imprisoned not more than five years, or both.

II. Historical Background

The committee was initially named the "Committee on Expenditures in the Executive Departments." Its antecedents are summarized in Cannon's Precedents of the House of Representatives, vol. VII, sec. 2041, p. 831 (1935), as follows:

> This committee was created, December 5, 1927, by the consolidation of the eleven Committees on Expenditures in the various Departments of the Government, the earliest of which has been in existence since 1816. As adopted in 1816, the rule did not include the committees for the Departments of Interior, Justice, Agriculture, Commerce, and Labor. The committees for these Departments date, respectively, from 1860, 1874, 1889, 1905 and 1913.

The resolution providing for the adoption of the rules of the 70th Congress discontinued the several committees on expenditures and transferred their functions to the newly created Committee on Expenditures in the Executive Departments:

> On March 17, 1928, the jurisdiction of the committee was further enlarged by the adoption of a resolution, reported from the Committee on Rules, including within its jurisdiction the independent establishments and commissions of the Government.[4]

From 1928 until January 2, 1947, when the Legislative Reorganization Act of 1946 became effective, the committee's jurisdiction was set forth in Rule XI, 34, of the House Rules then in force (H. Doc. 810, 78th Cong., 2d Sess. (1945)), as follows:

POWERS AND DUTIES OF COMMITTEES

* * * * * * *

34. The examination of the accounts and expenditures of the several departments, independent establishments, and commissions of the Government, and the manner of keeping the same; the economy, justness, and correctness of such expenditures; their conformity with appropriation laws; the proper application of public moneys; the security of the Government against unjust and extravagant demands; retrenchment; the enforcement of the payment of moneys due the United States; the economy and accountability of public officers; the abolishment of useless offices, shall all be subjects within the jurisdiction of the Committee on Expenditures in the Executive Departments.

The Legislative Reorganization Act of 1946, section 121(b), as adopted in paragraphs (a), (b), and (c) of Rule XI, 8, of later Rules of the House (XI, 9 in the 93d Congress), provided:

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[4] Examples of the wide-ranging scope of the committee's jurisdiction may be found in Cannon's Precedents, *supra*, VII, secs. 2042–2046 pp. 831–833 (1935).

COMMITTEE ON GOVERNMENT OPERATIONS

(a) Budget and accounting measures, other than appropriations.

(b) Reorganizations in the executive branch of the Government.

(c) Such committee shall have the duty of—

(1) receiving and examining reports of the Comptroller General of the United States and of submitting such recommendations to the House as it deems necessary or desirable in connection with the subject matter of such reports;

(2) studying the operation of Government activities at all levels with a view to determining the economy and efficiency;

(3) evaluating the effects of laws enacted to reorganize the legislative and executive branches of the Government;

(4) studying intergovernmental relationships between the United States and the States and municipalities, and between the United States and international organizations of which the United States is a member.

(d) For the purpose of performing such duties the committee, or any subcommittee thereof when authorized by the committee, is authorized to sit, hold hearings, and act at such times and places within the United States, whether or not the House is in session, is in recess, or has adjourned, to require by subpena or otherwise the attendance of such witnesses and the production of such papers, documents, and books, and to take such testimony as it deems necessary. Subpenas may be issued under the signature of the chairman of the committee or of any subcommittee, or by any member designated by any such chairman, and may be served by any person designated by any such chairman or member.[5]

Rule X, 1(h), of later Rules of the House, effective January 3, 1975 (H. Res. 988, 93d Congress), added the additional jurisdiction of general revenue sharing (formerly within the jurisdiction of the Committee on Ways and Means), and the National Archives (formerly within the jurisdiction of the Committee on Post Office and Civil Service).

The 1946 Act contained the following proviso:

> *Provided,* That unless otherwise provided herein, any matter within the jurisdiction of a standing committee prior to January 2, 1947, shall remain subject to the jurisdiction of that committee or of the consolidated committee succeeding to the jurisdiction of that committee.

This proviso was omitted from the Rules of the House adopted January 3, 1953.[6]

Under the Constitution (Art. I, sec. 5, cl. 2), "Each House may determine the Rules of its Proceedings." Omission of the proviso made no substantive change, since the scope of the committee's jurisdiction prior to January 2, 1947, was embraced within the committee's jurisdiction as stated in existing rules and precedents.

The committee's membership, which was fixed at 21 when it was consolidated on December 5, 1927, was increased to 25 when the Legislative Reorganization Act of 1946 became effective on January 2, 1947. In 1951, the committee's membership was increased to 27.[7]

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[5] Paragraph (d) was adopted by the House Feb. 10, 1947.

[6] H. Res. 5. 83d Cong. (99 Cong. Rec. 15). *Cf.* rules in H. Doc. 562, 82d Congress, 2d session, p. 328 and in H. Doc. 739, 81st Congress, 2d session, p. 326.

[7] H. Res. 60, 82d Congress, 1st session (97 Cong. Rec. 184).

From 1953 until January 1963, the committee's membership remained at 30.[8]

Pursuant to H. Res. 108, 88th Congress, adopted January 17, 1963, the committee was enlarged to 31 members. In the 89th Congress the membership of the committee was increased to 34 through passage of H. Res. 114, January 14, 1965. The committee membership in the 90th and 91st Congresses of 35 was first established by H. Res. 128, 90th Congress, approved January 16, 1967. The committee membership in the 92d Congress of 39 was established by H. Res. 192, approved February 4, 1971. It was raised to 41 by H. Res. 158, adopted January 24, 1973. The committee membership of 42 was established by H. Res. 1238, adopted July 17, 1974. As stated above, it was increased to 43 by H. Res. 76 and 101, adopted Jan. 20 and 28, 1975. (Note.—It dropped to 42 due to death of Hon. Torbert H. Macdonald.) Membership was maintained at 43 in the 95th Congress by H. Res. 117 and 118, adopted Jan. 19, 1977. The committee membership was set at 39 in the 96th Congress by H. Res. 62 and 63, adopted Jan. 24, 1979. The committee membership was set at 40 in the 97th Congress by H. Res. 44 and 45, adopted Jan. 28, 1981. The committee size was increased to 41 by the adoption of H. Res. 370 of February 24, 1982, appointing Congresswoman Kennelly to the committee.

Beginning September 28, 1949, the moneys appropriated to the committee were, by House resolution in each session of Congress, available for expenses incurred in conducting studies and investigations authorized under Rule XI, 9, whether made within or without the United States.[9] In the 97th Congress, these matters are covered in paragraph (b) of clause 1 of Rule XI, as set forth above and by clause 5 of Rule XI. The funds for the committee's studies and oversight functions during the first session of the 97th Congress were provided by H. Res. 115 adopted March 25, 1981 (H. Rept. 97-11) and by H. Res. 378 adopted March 31, 1982 (H. Rept. 97-448).

The committee's name was changed to "Committee on Government Operations" by House resolution adopted July 3, 1952.[10] The *Congressional Record* indicates the reasons underlying that change in name were, in part, as follows:[11]

> This committee is proposing the indicated change in the present title, in view of the fact that it is misleading and the committees' functions and duties are generally misunderstood by the public.
>
> * * * * * * *
>
> In suggesting the proposed change the committee based its decision on what it considers to be the major or primary func-

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[8] H. Res. 98, 83d Cong. (99 Cong. Rec. 436); H. Res. 94, 84th Cong. (101 Cong. Rec. 484); H. Res. 89, 85th Cong. (103 Cong. Rec. 412); H. Res. 120, 86th Cong. (105 Cong. Rec. 841); H. Res. 137, 87th Cong. (107 Cong. Rec. 1677).

[9] *See* items under (1) in footnote 3, of the final calendar of the committee for the 93d Congress (Dec. 31, 1974).

[10] H. Res. 647, 82d Cong. (98 Cong. Rec. 9217). The Senate had made a similar change of name on Mar. 3, 1952, after conferences between the chairman of the House and Senate Committees on Expenditures in the Executive Departments to insure that both Houses would adopt the change in name. S. Res. 280, 82d Cong. (28 Cong. Rec. 1701-1702). *See also* S. Rept. No. 1231, 80th Congress, 2d session, p. 3 (May 3, 1948).

[11] Letter of Feb. 19, 1952, from the chairman, Senate Committee on Expenditures in the Executive Departments, Senator McClellan to Senator Hayden (98 Cong. Rec. 1702).

tion of the committee under the prescribed duties assigned to it to study "the operations of Government activities at all levels with a view to determining its economy and efficiency." It was the unanimous view of the members of the committee that the proposed new title would be more accurate in defining the purposes for which the committee was created and in clearly establishing the major purpose it serves.

III. Organization

A. SUBCOMMITTEES [1]

In order to perform its functions and to carry out its duties as fully and as effectively as possible, the committee under the leadership of its chairman, the Honorable Jack Brooks, of Texas, at the beginning of the 97th Congress, established seven standing subcommittees, which cover the entire field of executive expenditures and operations. The names, chairman, and members of these subcommittees are as follows:

Legislation and National Security Subcommittee, Jack Brooks, *Chairman;* members: Dante B. Fascell, Don Fuqua, Elliott H. Levitas, David W. Evans, Henry A. Waxman, Frank Horton, John N. Erlenborn, M. Caldwell Butler, and William F. Clinger, Jr.

Intergovernmental Relations and Human Resources Subcommittee, L. H. Fountain, *Chairman;* members: Barney Frank, Elliott H. Levitas, Floyd J. Fithian, Stephen L. Neal, Clarence J. Brown, Raymond J. McGrath, and Lawrence J. DeNardis.

Commerce, Consumer, and Monetary Affairs Subcommittee, Benjamin S. Rosenthal, *Chairman;* members: John Conyers, Jr., Eugene V. Atkinson, Stephen L. Neal, Doug Barnard, Jr., Peter A. Peyser, Barbara B. Kennelly,[2] Lyle Williams, Hal Daub, William F. Clinger, Jr., and John Hiler.

Manpower and Housing Subcommittee, Cardiss Collins, *Chairwomen;* members: Harold Washington, John Conyers, Jr., Eugene V. Atkinson, Benjamin S. Rosenthal, Barbara B. Kennelly,[2] Paul N. McCloskey, Jr., M. Caldwell Butler, and Lawrence J. DeNardis.[3]

Government Activities and Transportation Subcommittee, John L. Burton, *Chairman;* members: David W. Evans, Ted Weiss, Peter A. Peyser, Tom Lantos, Henry A. Waxman,[4] Robert S. Walker, Wendell Bailey, Raymond J. McGrath, and Hal Daub.

Government Information and Individual Rights Subcommittee, Glenn English, *Chairman;* members: Ted Weiss, Henry A. Waxman, John L. Burton, John Conyers, Jr.,[4] Thomas N. Kindness, John N. Erlenborn, and Wendell Bailey.

Environment, Energy, and Natural Resources Subcommittee, Toby Moffett, *Chairman;* members: Floyd J. Fithian, Mike Synar, Tom Lantos, Engene V. Atkinson, Barney Frank, Bar-

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[1] The chairman and the ranking minority member of the committee are ex-officio members of all subcommittees on which they do not hold a regular assignment.

[2] Appointed to subcommittee March 4, 1982.

[3] Replaced Mr. Dreier on subcommittee July 30, 1981.

[4] Appointed to subcommittee May 7, 1981.

bara B. Kennelly,[2] Joel Deckard, John Hiler, Judd Gregg, and Michael G. Oxley.[5]

B. RULES OF THE COMMITTEE ON GOVERNMENT OPERATIONS

Rule XI, 1(a)(1) of the House of Representatives provides:

> The Rules of the House are the rules of its committees and subcommittees so far as applicable, except that a motion to recess from day to day is a motion of high privilege in committees and subcommittees.

Rule XI, 2(a) of the House of Representatives provides, in part:

> Each standing committee of the House shall adopt written rules governing its procedure. * * *

In accordance with the foregoing, the Committee on Government Operations, on February 3, 1981, adopted the rules of the committee and at its meeting on May 7, 1981, adopted an amendment. The rules, as amended, read as follows:

Rule 1.—Application of Rules

Except where the terms "full committee" and "subcommittee" are specifically referred to, the following rules shall apply to the Committee on Government Operations and its subcommittees as well as to the respective chairmen.

[See House Rule XI, 1.]

Rule 2.—Meetings

The regular meetings of the full committee shall be held on the second Tuesday of each month at 10 a.m., except when Congress has adjourned. The chairman is authorized to dispense with a regular meeting or to change the date thereof, and to call and convene additional meetings, when circumstances warrant. A special meeting of the committee may be requested by members of the committee in accordance with the provisions of House Rule XI, 2(c)(2). Subcommittees shall meet at the call of the subcommittee chairmen. Every member of the committee or the appropriate subcommittee, unless prevented by unusual circumstances, shall be provided with a memorandum at least three calendar days prior to each meeting or hearing explaining (1) the purpose of the meeting or hearing; and (2) the names, titles, background and reasons for appearance of any witnesses. The minority staff shall be responsible for providing the same information on witnesses whom the minority may request.

[See House Rule XI, 2(b).]

Rule 3.—Quorums

A majority of the members of the committee shall constitute a quorum, except that two members shall constitute a quorum for taking testimony and receiving evidence, and one-third of the members shall constitute a quorum for taking any action other than the reporting of a measure or recommendation. Proxies shall not be used to establish a quorum. If the chairman is not present at any meeting of the committee or subcommittee, the ranking member of the majority party on the committee or subcommittee who is present shall preside at that meeting.

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[5] Appointed to subcommittee Oct. 7, 1981.

[See House Rule XI, 2(h).]

Rule 4.—Committee Reports

Bills and resolutions approved by the committee shall be reported by the chairman in accordance with House Rule XI, 2(l). Every investigative report shall be approved by a majority vote of the committee at a meeting at which a quorum is present. Supplemental, minority, or additional views may be filed in accordance with House Rule XI, 2(l)(5). The time allowed for filing such views shall be three calendar days (excluding Saturdays, Sundays, and legal holidays) unless the committee agrees to a different time, but agreement on a shorter time shall require the concurrence of each member seeking to file such views. A proposed report shall not be considered in subcommittee or full committee unless the proposed report has been available to the members of such subcommittee or full committee for at least three calendar days (excluding Saturdays, Sundays, and legal holidays) prior to the consideration of such proposed report in subcommittee or full committee. If hearings have been held on the matter reported upon, every reasonable effort shall be made to have such hearings available to the members of the subcommittee or full committee prior to the consideration of the proposed report in such subcommittee or full committee.

Rule 5.—Proxy Vote

A member may vote by proxy on any measure or matter before the committee and on any amendment or motion pertaining thereto. A proxy shall be in writing and be signed by the member granting the proxy; it shall show the date and time of day it was signed and the date for which it is given and the member to whom the proxy is given. Each proxy authorization shall state that the member is absent on official business or is otherwise unable to be present; shall be limited to the date and the specific measure or matter to which it applies; and, unless it states otherwise, shall apply to any amendments or motions pertaining to the measure or matter.

[See House Rule XI, 2(f).]

Rule 6.—Rollcalls

A rollcall of the members may be had upon the request of any member.

[See House Rule XI, 2(e).]

Rule 7.—Record of Committee Actions

The committee staff shall maintain in the committee offices a complete record of committee actions including a record of the rollcall votes taken at committee business meetings. The original records, or true copies thereof, as appropriate, shall be available for public inspection whenever the committee offices are open for public business. The staff shall assure that such original records are preserved with no unauthorized alteration, additions, or defacement.

[See House Rule XI, 2(e).]

Rule 8.—Subcommittees; Referrals

There shall be seven subcommittees with appropriate party ratios which shall have fixed jurisdictions. Bills, resolutions, and other matters shall be referred by the chairman to subcommittees within two weeks for consideration or investigation in accordance with their fixed jurisdictions. Where the subject matter of the referral involves the jurisdiction of more than one subcommittee or does not fall within any previously assigned jurisdiction, the chairman shall refer the matter as he may deem advisable. Bills, resolutions, and other matters referred to subcommittees may be reassigned by the chairman when, in his judgment, the subcommittee is not able to complete its work or cannot reach agreement therein.

[See House Rule XI, 1(a)(2).]

Rule 9.—Ex Officio Members

The chairman and the ranking minority member of the committee shall be ex officio members of all subcommittees. They are authorized to vote on subcommittee matters; but, unless they are regular members of the subcommittee, they shall not be counted in determining a subcommittee quorum other than a quorum for the purposes of taking testimony.

Rule 10.—Staff

Except as otherwise provided by House Rule XI, 5 and 6, the chairman of the full committee shall have the authority to hire and discharge employees of the professional and clerical staff of the full committee and of subcommittees subject to appropriate approval.

Rule 11.—Staff Direction

Except as otherwise provided by House Rule XI, 5 and 6, the staff of the committee shall be subject to the direction of the chairman of the full committee and shall perform such duties as he may assign.

Rule 12.—Hearing Dates and Witnesses

The chairman of the full committee will announce the date, place, and subject matter of all hearings at least one week prior to the commencement of any hearings, unless he determines that there is good cause to begin such hearings at an earlier date. In order that the chairman of the full committee may coordinate the committee facilities and hearing plans, each subcommittee chairman shall notify him of any hearing plans at least two weeks in advance of the date of commencement of hearings, including the date, place, subject matter, and the names of witnesses, willing and unwilling, who would be called to testify, including, to the extent he is advised thereof, witnesses whom the minority members may request. The minority members shall supply the names of witnesses they intend to call to the chairman of the full committee or subcommittee at the earliest possible date. Witnesses appearing before the committee shall, so far as practicable, submit written statements at least 24 hours in advance of their appearance.

[See House Rule XI, 2(g)(3), (g)(4), (j), and (k).]

Rule 13.—Open Meetings

Meetings for the transaction of business and hearings of the committee shall be open to the public or closed in accordance with Rule XI of the House of Representatives.

[See House Rule XI, 2(g) and (k).]

Rule 14.—Five-Minute Rule

A committee member may question a witness only when recognized by the chairman for that purpose. In accordance with House Rule XI, 2(j)(2), each committee member may request up to five minutes to question a witness until each member who so desires has had such opportunity. Until all such requests have been satisfied, the chairman shall, so far as practicable, recognize alternately on the basis of seniority those majority and minority members present at the time the hearing was called to order and others on the basis of their arrival at the hearing. Thereafter, additional time may be extended at the direction of the chairman.

Rule 15.—Investigative Hearings; Procedure

Investigative hearings shall be conducted according to the procedures in House Rule XI, 2(k). All questions put to witnesses before the committee shall be relevant to the subject matter before the committee for consideration, and the chairman shall rule on the relevance of any questions put to the witness.

Rule 16.—Stenographic Record

A stenographic record of all testimony shall be kept of public hearings and shall be made available on such conditions as the chairman may prescribe.

Rule 17.—TV, Radio, and Photographs

When approved by a majority vote, an open meeting or hearing of the committee or a subcommittee may be covered, in whole or in part, by television broadcast, radio broadcast, and still photography, or by any of such methods of coverage, subject to the provisions of House Rule XI, 3. In order to enforce the provisions of said rule or to maintain an acceptable standard of dignity, propriety, and decorum, the chairman may order such alteration, curtailment, or discontinuance of coverage as he determines necessary.

Rule 18.—Additional Duties of Chairman

The chairman of the full committee shall:

(*a*) Make available to other committees the findings and recommendations resulting from the investigations of the committee or its subcommittees as required by House Rule X, 4(c)(2);

(*b*) Arrange such meetings, designate participants and submit such reports to the House as may be necessary to carry out the coordination of oversight activities and reporting requirements under House Rule X, 2(c);

(*c*) Direct such review and studies on the impact or probable impact of tax policies affecting subjects within the committee's jurisdiction as required by House Rule X, 2(d);

(*d*) Submit to the Committee on the Budget views and estimates required by House Rule X, 4(g), and to file reports with the House as required by the Congressional Budget Act;

(*e*) Authorize and issue subpœnas as provided in House Rule XI, clause (2)(m)(l), in the conduct of any investigation or activity or series of investigatons or activities within the jurisdiction of the committee; and

(*f*) Prepare, after consultation with subcommittee chairmen and the minority, a budget for the committee which shall include an adequate budget for the subcommittees to discharge their responsibilities.

IV. Activities, 97th Congress

SUMMARY

1. In the 97th Congress the committee approved and submitted to the House of Representatives 43 investigative reports, 1 special oversight report and 1 budgetary report. In addition, the committee issued 3 committee prints.

2. In the 97th Congress, 218 bills and resolutions were referred to the committee and were studied. Of these, the committee reported 14 and 8 were enacted into law. The 14 bills reported actually represent committee consideration of 36 other bills which are identical or related to the measures reported. In addition, 9 memorials and 32 petitions were referred to the committee.

3. Pursuant to its duty of studying reports of the Comptroller General, the committee received officially and studied 1,546 such reports during the 97th Congress. These reports and 697 other executive communications were referred to the committee under clause 2 of the rule XXIV of the House of Representatives.

4. The full committee met 10 days during the 97th Congress while the subcommittees met a total of 247 days in public hearings and markup.

The significant actions taken by the committees with respect to these and a considerable number of other matters are discussed in detail below.

A. INVESTIGATIVE REPORTS

During the 97th Congress, the Committee on Government Operations approved and submitted to the Congress 43 reports of an investigative nature, 1 special oversight report, and 1 report pursuant to the Congressional Budget Act of 1974. A number of other reports were in preparation and a number of investigations were underway. These will be considered by the subcommittees and the full committee during the 98th Congress.

For convenience, the published reports are listed here with the names of the originating subcommittees. A more detailed discussion of the material will be found in part two below in the breakdown of the committee's activities by subcommittee:

Special report to the House (H. Rept. 97-6): "Oversight Plans of the Committees of the U.S. House of Representatives. A report by the Committee on Government Operations." (Full Committee.)

Special report to the House (H. Rept. 97-154): "Allocation of Budget Totals by Program. Report of the Committee on Government Operations Pursuant to Section 302(b) of the Congressional Budget Act of 1974." (Full Committee.)

First report (H. Rept. 97-37): "The Implementation of the NATO Long-Term Defense Program (LTDP)." (Legislation and National Security Subcommittee.)

Second report (H. Rept. 97-123): "Oversight of the Energy Security Act: Implementation of the Synthetic Fuels Corporation." (Environment, Energy, and Natural Resources Subcommittee.)

Third report (H. Rept. 97-137): "Air Traffic Control Computer Failures." (Government Activities and Transportation Subcommittee.)

Fourth report (H. Rept. 97-144): "Inspecting Operating Nuclear Powerplants: Shortcomings in the Nuclear Regulatory Commission Program." (Environment, Energy, and Natural Resources Subcommittee.)

Fifth report (H. Rept. 97-145): "Impact of Administration Policies on Department of Energy Enforcement of Oil Pricing Regulations." (Environment, Energy, and Natural Resources Subcommittee.)

Sixth report (H. Rept. 97-211): "Statutory Offices of Inspector General (Leadership and Resources)." (Intergovernmental Relations and Human Resources Subcommittee.)

Seventh report (H. Rept. 97-214): "DOD's Failure To Recover Nonrecurring Research, Development, and Production Costs on Foreign Military Sales." (Legislation and National Security Subcommittee.)

Eighth report (H. Rept. 97-216): "Community Action and the CSA Closure Decision." (Manpower and Housing Subcommittee.)

Ninth report (H. Rept. 97-277): "Licensing Speedup, Safety Delay: NRC Oversight." (Environment, Energy, and Natural Resources Subcommittee.)

Tenth report (H. Rept. 97-278): "The Effect of Inaccurate Inflation Projections on Department of Defense Budgets." (Legislation and National Security Subcommittee.)

Eleventh report (H. Rept. 97-279): "Continued Failure of Departments and Agencies To Take Effective Action on Audit Findings." (Legislation and National Security Subcommittee.)

Twelfth report (H. Rept. 97-280): "Outlook for Multistate Regional Intelligence Projects." (Government Information and Individual Rights Subcommittee.)

Thirteenth report (H. Rept. 97-380): "Administration of Shared Support Services for U.S. Agencies Overseas." (Legislation and National Security Subcommittee.)

Fourteenth report (H. Rept. 97-381): "Inadequate Control Over Government Material Furnished to DOD Contractors." (Legislation and National Security Subcommittee.)

Fifteenth report (H. Rept. 97-393): "Occupational Safety and Health Protection for Aviation Industry Employees—The Conflict Between FAA and OSHA." (Government Activities and Transportation Subcommittee.)

Sixteenth report (H. Rept. 97-394): "Aircraft Cabin Safety Staffing Standards." (Government Activities and Transportation Subcommittee.)

Seventeenth report (H. Rept. 97-395): "Silver Prices and the Adequacy of Federal Actions in the Marketplace, 1979-80." (Commerce, Consumer, and Monetary Affairs Subcommittee.)

Eighteenth report (H. Rept. 97-396): "Vietnam Veterans Outreach Centers." (Government Information and Individual Rights Subcommittee.)

Nineteenth report (H. Rept. 97-397): "The Nine-Digit ZIP Code Investment: More Digits, Less Savings." (Government Information and Individual Rights Subcommittee.)

Twentieth report (H. Rept. 97-398): "International Shortwave Broadcasting and Direct Broadcast Satellites: Voice of America, Radio Free Europe/Radio Liberty, Radio Marti. " (Government Information and Individual Rights Subcommittee.)

Twenty-first report (H. Rept. 97-399): "Compensating and Rehabilitating Injured Federal Workers." (Manpower and Housing Subcommittee.)

Twenty-second report (H. Rept. 97-412): "Improving the Administration of the Civil Service Disability Retirement Program." (Manpower and Housing Subcommittee.)

Twenty-third report (H. Rept. 97-449): "NORAD Computer Systems Are Dangerously Obsolete." (Legislation and National Security Subcommittee.)

Twenty-fourth report (H. Rept. 97-455): "Defense Department's Failure to Properly Manage Conventional Ammunition." (Legislation and National Security Subcommittee.)

Twenty-fifth report (H. Rept. 97-727): "Failure of Federal Departments and Agencies To Collect Audit-Related Debts." (Legislation and National Security Subcommittee.)

Twenty-sixth report (H. Rept. 97-728): "Failure of the Air Force and Navy To Develop Common Radar Warning Receivers Is Costly." (Legislation and National Security Subcommittee.)

Twenty-seventh report (H. Rept. 97-729): "DOD Wastes Hundreds of Millions of Dollars by Duplicating Base Support Services." (Legislation and National Security Subcommittee.)

Twenty-eighth report (H. Rept. 97-730): "Direct Broadcast Satellites: International Representation and Domestic Regulation." (Government Information and Individual Rights Subcommittee.)

Twenty-ninth report (H. Rept. 97-731): "Security Classification Policy and Executive Order 12356." (Government Information and Individual Rights Subcommittee.)

Thirtieth report (H. Rept. 97-732): "Presidential Libraries: Unexplored Funding Alternatives." (Government Information and Individual Rights Subcommittee.)

Thirty-first report (H. Rept. 97-772): "Improvements Needed in the Department of Housing and Urban Development's Efforts To Avoid Single-Family Mortgage Foreclosures." (Manpower and Housing Subcommittee.)

Thirty-second report (H. Rept. 97-781): "Stronger Support for Coordinated Federal Policy on Voluntarism Needed in ACTION." (Manpower and Housing Subcommittee.)

Thirty-third report (H. Rept. 97-900): "Mismanagement of SSA's Computer Systems Threatens Social Security Programs." (Legislation and National Security Subcommittee.)

Thirty-fourth report (H. Rept. 97-901): "Reorganization and Budget Cutbacks May Jeopardize the Future of the Nation's Statistical System." (Legislation and National Security Subcommittee.)

Thirty-fifth report (H. Rept. 97-902): "Strengthening Audits at the Railroad Retirement Board." (Manpower and Housing Subcommittee.)

Thirty-sixth report (H. Rept. 97-915): "Unauthorized and Excessive Fees Charged to Small Businessmen for Loan Packaging, Insurance, and Legal Work on SBA Guaranteed Loans." (Commerce, Consumer, and Monetary Affairs Subcommittee.)

Thirty-seventh report (H. Rept. 97-916): "Problems with Small Business Administration Financial Assistance to Franchises." (Commerce, Consumer, and Monetary Affairs Subcommittee.)

Thirty-eight report (H. Rept. 97-917): "Improving the Financial Management and Auditing of Federal Assistance Programs: The 'Single Audit' Concept." (Intergovernmental Relations and Human Resources Subcommittee.)

Thirty-ninth report (H. Rept. 97-918): "Management of the End Stage Renal Disease Program." (Intergovernmental Relations and Human Resources Subcommittee.)

Fortieth report (H. Rept. 97-920): "Small Business Administration's Variable Interest Rate and Prime Rate Loan Policies: Negative Impact on Small Business." (Commerce, Consumer, and Monetary Affairs Subcommittee.)

Forty-first report (H. Rept. 97-919): "Postal Service Electronic Mail: The Price Isn't Right." (Government Information and Individual Rights Subcommittee.)

Forty-second report (H. Rept. 97-921): "Military Assistance to Civilian Narcotics Law Enforcement: An Interim Report." (Government Information and Individual Rights Subcommittee.)

Forty-third report (H. Rept. 97-922): "Maintaining the Network: Rural Telephone Service and FCC Actions." (Government Information and Individual Rights Subcommittee.)

B. LEGISLATION

The legislative jurisdiction of the Committee on Government Operations covers a wide range of important governmental operations. The committee receives all budget and accounting measures other than appropriations; all measures relating to the overall economy and efficiency of Government operations and activities, including Federal procurement, intergovernmental relationships and general revenue sharing (the latter subject was formerly within the jurisdiction of the Committee on Ways and Means) and the National Archives (formerly within the jurisdiction of the Committee on Post Office and Civil Service); all reorganization plans and bills providing for the establishment of new departments in the executive branch such as the Department of Energy and Department of Education; and most other reorganization legislation, examples of which are legislation to reorganize the intelligence community, international trade and regulatory agencies. Other legislation includes debt collection and proposals relating to delinquent payments and paperwork reduction. It also receives legislation dealing with the General Services Administration, including the Federal Property and Administrative Services Act and special bills authorizing the Administrator of General Services to make specific transfers of property, plus legislation dealing with the General Accounting Office, with the Office of Management and Budget, with the Administrative Expenses Act, with the Travel Expenses Act, with the Employment Act of 1946, and with the Wagner-O'Day Act relating to the sale of products and services of blind and other handicapped persons. In addition, the committee has jurisdiction over the Freedom of Information provisions of the Administrative Procedure Act, the Privacy Act, and the Government in the Sunshine Act as well as the Inspector General Act.

Rule X, 2(b) of the standing Rules of the House, requires the committee to oversee and review the administration of all laws in its legislative jurisdiction, and Rule XI, 1(d) requires that the committee report to the House thereon by the end of each Congress. The present report outlines the extent and nature of the committee and subcommittee activities constituting the review.

During the 97th Congress, as noted above, the committee studied 218 bills and resolutions referred to it and reported 14 to the House. The 14 bills reported actually represent committee consideration of 36 other bills identical or related to the measure reported. The reported measures are discussed more fully in part two below. However, they are listed here for convenience in the order of approval by the committee and with the name of the subcommittees which initially considered them:

H.R. 1526, to amend the Accounting and Auditing Act of 1950 to require ongoing evaluations and reports on the adequacy of the systems of internal accounting and administrative control of each executive agency, and for other purposes (Legislation and National Security Subcommittee, H. Rept. 97-38; Public Law 97-255).

H.R. 2979 (S. 1050), to extend the authorization of appropriations for the National Historical Publications and Records Commission for fiscal years 1982 and 1983 (Government Information and Individual Rights Subcommittee, H. Rept. 97-39).

H.R. 2098, to amend the Inspector General Act of 1978 to establish offices of inspector general in certain departments and agencies, and for other purposes (Legislation and National Security Subcommittee, H. Rept. 97-40).

H.R. 2811, to increase the efficiency of Government-wide efforts to collect debts owed the United States, to require the reporting to Congress of information on debts owed the United States, and for other purposes (Government Information and Individual Rights Subcommittee, H. Rept. 97-42).

H.R. 2957, to reorganize the international communications activities of the Federal Government (Legislation and National Security Subcommittee, H. Rept. 97-100, Pt. 1).

H.R. 3519 (S. 815), to authorize appropriations for fiscal year 1982 for the Armed Forces for procurement, for research, development, test, and evaluation, and for operation and maintenance, to prescribe personnel strengths for such fiscal year for the Armed Forces and for civilian employees of the Department of Defense, to authorize appropriations for such fiscal year for civil defense, and for other purposes (Legislation and National Security Subcommittee, H. Rept. 97-71, Pt. 3; Public Law 97-86).

H.R. 2590, to amend the Privacy Act of 1974 to impose additional restrictions on the maintenance and disclosure of mailing lists by Government agencies (Government Information and Individual Rights Subcommittee, H. Rept. 97-147, Pt. 1).

H.R. 3943 (S. 892), to amend the Federal Grant and Cooperative Agreement Act (Legislation and National Security Subcommittee, H. Rept. 97-450; Public Law 97-162).

H.R. 2528, to amend the Economy Act to provide that all departments and agencies may obtain materials or services from other agencies by contract, and for other purposes (Legislation and National Security Subcommittee, H. Rept. 97-456; Public Law 97-322).

H.R. 4709 (S. 1131), to require the Federal Government to pay interest on overdue payments, and for other purposes (Legislation and National Security Subcommittee, H. Rept. 97-461; Public Law 97-177).

H.R. 6005 (S. 2258), to discontinue or amend certain requirements for agency reports to Congress (Legislation and National Security Subcommittee, H. Rept. 97-804; Public Law 97-375).

H.R. 7096 (S. 2386), to require the Director of the Office of Management and Budget to prepare an annual report consolidating the available data on the geographic distribution of Federal funds, and for other purposes (Legislation and National Security Subcommittee, H. Rept. 97-878; Public Law 97-326).

H.R. 7173, to make certain changes in the membership and operations of the Advisory Commission on Intergovernmental Relations (Intergovernmental Relations and Human Resources Subcommittee; H. Rept. 97-879).

H.R. 1856 (S. 1444), to authorize the Administrator of General Services to donate to State and local governments certain Federal personal property loaned to them for civil defense use, and for other purposes (Government Activities and Transportation Subcommittee, H. Rept. 97-910, Pt. 1; Public Law 97-380).

C. REORGANIZATION PLANS

The most recent authority of the President to transmit reorganization plans to Congress was reestablished by Public Law 95-17, approved April 6, 1977. This authority expired April 6, 1981, and reauthorization will be considered during the 98th Congress by the committee. No reorganization plans were received during the 97th Congress.

D. COMMITTEE PRINTS

Three committee prints, resulting from work by the committee staff, were issued during the 97th Congress as follows:

"Rules of the Committee on Government Operations. Together With Selected Rules of the House of Representatives (Including Clause 2 of House Rule XI)." (Full Committee.) (May 1981.)

"Interim Report of the Activities of the House Committee on Government Operations, Ninety-Seventh Congress, First Session, 1981." (Full Committee.) (January 1982.)

"Final Report of the Activities of the House Committee on Government Operations, Ninety-Seventh Congress, First and Second Sessions, 1981-1982." (Full Committee.) (January 1983.)

E. COMMITTEE ACTION ON REPORTS OF THE COMPTROLLER GENERAL

Rule X, 4(c)(1)(A), of the rules of the House, imposes the duty upon this committee to receive and examine reports of the Comptroller General referred to it and to make such recommendations to the House as it deems necessary or desirable in connection with the subject matter of the reports.

In discharging this responsibility, all reports of the Comptroller General received by the committee are studied and analyzed by the staff and referred to the subcommittee of this committee to which has been assigned general jurisdiction over the subject matter involved.

The committee has received a total of 304 General Accounting Office audit reports to the Congress for processing during the 97th Congress. After preliminary staff study, these reports were referred to subcommittees of this committee as follows:

Legislation and National Security Subcommittee	94
Intergovernmental Relations and Human Resources Subcommittee	38
Commerce, Consumer, and Monetary Affairs Subcommittee	52
Manpower and Housing Subcommittee	23
Government Activities and Transportation Subcommittee	15
Government Information and Individual Rights Subcommittee	12
Environment, Energy, and Natural Resources Subcommittee	70
Total	304

The Comptroller General has made 36 special reports to the committee or its subcommittees which are not included in the above figures.

Furthermore, in implementation of section 236 of the Legislative Reorganization Act of 1970, the committee now regularly receives GAO reports which are not addressed to Congress but which contain recommendations to the head of the Federal agency. These are generally reports to the agency heads. The committee also receives from the agency heads their written statements of actions taken with respect to such recommendations, as required by section 236. The committee received a total of 1,242 of such GAO reports to Federal agencies or other committees and Members within the legislative branch.

Periodic reports are received from the subcommittee on actions taken with respect to individual reports, and monthly reports are made to the chairman as to reports received. During the session, the subcommittees used the reports to further specific investigations and reviews. In most cases, additional information concerning the findings and recommendations of the Comptroller General was requested and received from the administrative agency involved, as well as from the General Accounting Office. More specific information on the actions taken appears in part two, below.

Complete files are maintained by the committee on all Comptroller General's reports received. Detailed records are kept showing the subcommittee to which the report is referred, the date of referral, and the subsequent action taken.

The committee will review all of the Comptroller Generals reports received during the Congress in the light of additional information obtained and actions taken by the subcommittees, and determinations will be made whether specific recommendations to the House are necessary or desirable under Rule X.

PART TWO. REPORT OF COMMITTEE ACTIVITIES

Matters of Interest, Full Committee

Under the direction of the chairman, the staff of the full committee handles a large number of matters alone or in cooperation with subcommittee staffs. The subjects cover legislation, investigation, research, procedures, and administration. There is close coordination between the full committee and subcommittee staffs, including preliminary review of investigative matters and cooperative review of draft committee reports. Among the more significant matters involving special work by the full committee staff are the following:

A. GENERAL

1. Oversight Plans of the Committees of the U.S. House of Representatives.

In adopting the Committee Reform Amendments of 1974, Congress recognized there were shortcomings in what is one of the most important congressional functions—oversight of Federal programs and agencies.

The requirement first set forth in the Legislative Reorganization Act of 1946 that each standing committee exercise a continuing study and review of the statutes under its jurisdiction, and the executive agencies and departments responsible for administering them, was made far more explicit by the 93d Congress.

In a further effort to strengthen the overall oversight function of the House, it included in the reform amendments a provision now incorporated in clause 2(c) of Rule X, which reads as follows:

> At the beginning of each Congress, an appropriate representative of the Committee on Government Operations shall meet with appropriate representatives of each of the other committees of the House to discuss the oversight plans of such committees and to assist in coordinating all of the oversight activities of the House during such Congress. Within 60 days after the Congress convenes, the Committee on Government Operations shall report to the House the results of such meetings and discussions and any recommendations which it may have to assure the most effective coordination of such activities and otherwise achieve the objectives of this clause.

The committee met this assignment and issued its report to the House. In addition, an evaluation of committee oversight activities undertaken in the 96th Congress was requested, along with a comparison of their past activities with their projected plans listed in the report for the 96th Congress. This material was incorporated in the report which the committee submitted to the House. For details, see House Report 97-6.

2. Views and Estimates for Fiscal Year 1982.

Pursuant to a request by the Committee on the Budget, the committee reported to the Budget Committee its views and estimates on the Fiscal Year 1982 budget and budget revisions later submitted by President Reagan.

3. Allocation of Budget Totals by Program.

A report was submitted pursuant to Section 302(b) of the Congressional Budget Act on the subdivision of allocations of new budget authorities and outlays made to the committee in the joint explanatory statement accompanying the conference report on House Concurrent Resolution 115. For further details, see House Report 97-154.

4. Federal Managers' Financial Integrity Act.

Insufficient internal controls in Executive departments and agencies frequently are important factors contributing to fraud, waste, and abuse in government programs and services. Despite the requirement in the Accounting and Auditing Act of 1950 that agency accounting systems be approved by the Comptroller General, only 64 percent of those systems have received such approval. Among the agencies which have failed to gain approval of their systems are the two largest, the Departments of Defense and Health and Human Services.

In response to the need for upgrading of internal controls, Chairman Brooks introduced H.R. 1526, the Federal Managers' Accountability Act of 1981. This bill will amend the Accounting and Auditing Act of 1950 by requiring program evaluations of the adequacy of systems for internal accounting and administrative control of each Executive agency.

These evaluations, under guidelines to be established by the Office of Management and Budget, are to be conducted to determine whether the agencies' internal accounting and administrative control systems are in compliance with standards which will be prescribed by the Comptroller General. An annual statement signed by the agency head will certify the effectiveness of the agency's internal controls or, if necessary, outline a schedule of strengthening any weaknesses found in those controls.

The bill will provide a close review of the budget requests of the Offices of Inspector General and will require that amounts of appropriations requested for each Inspector General establishment be included in supporting documents submitted by the President to the Congress. In addition, it will require the head of each Government agency to report on whether the agency's accounting systems conform to the principles, standards, and relevant requirements prescribed by the Comptroller General.

Hearings on H.R. 1526 were held before the Legislation and National Security Subcommittee and it was subsequently approved by the subcommittee and the full committee by unanimous voice vote. It was reported to the House on May 14, 1981, and passed the

House with committee amendment under Suspension of Rules on May 18, 1981.

H.R. 1526 was referred to the Senate Committee on Governmental Affairs. On August 4, 1982, the Senate committee was discharged from further consideration of the bill. H.R. 1526 then passed the Senate, amended, by voice vote after the Senate struck all after the enacting clause and inserted in lieu thereof the text of a related bill, S. 864. On August 19, 1982, the House agreed to the Senate amendment. On September 8, 1982, the bill was signed by the President as Public Law 97-255.

5. Inspector General Act.

Numerous hearings and investigations by the Committee on Government Operations over a period of several years have disclosed serious deficiencies in the procedures and resources being used by Federal departments and agencies to promote economy, efficiency and effectiveness and to combat fraud and abuse in their operations. The committee's work led to the enactment of the first statutory Office of Inspector General for the Department of Health, Education, and Welfare, followed by the second statutory Office of I.G. which was created as part of the Department of Energy upon that Department's establishment in 1977. Subsequently, the Inspector General Act of 1978 (Public Law 95-452) established statutory I.G.'s in 12 major departments and agencies, and a statutory Office of I.G. was created as part of the new Department of Education in 1979.

During the 96th Congress, Chairman Brooks introduced, and the Committee on Government Operations passed, H.R. 7893, Inspector General Act Amendments of 1980, creating statutory I.G.'s in the Departments of Defense, Justice, State, and Treasury and the Agency for International Development. This bill failed to be enacted during the 96th Congress.

During the 97th Congress, Chairman Brooks introduced H.R. 2098, providing for statutory I.G.'s in all the above departments, except the Department of State which received a statutory Office of I.G. as a result of the Foreign Service Act of 1980.

The additional Offices of Inspector General would have all the powers and duties provided under the 1978 Act. They would have no program responsibilities, but would conduct and supervise audits and investigations relating to programs and operations of the affected establishments. The offices also would provide leadership and coordination and recommend policies for activities designed to promote economy and efficiency in the administration of, and to prevent and detect fraud and abuse in, such programs and operations.

Hearings were held on H.R. 2098 by the Subcommittee on Legislation and National Security. It was reported, as amended, to the House on May 14, 1981, and passed the House under Suspension of the Rules by a vote of 334 to 65 on May 19, 1981.

H.R. 2098 was referred to the Senate Committee on Governmental Affairs. No further action was taken on this bill buring the 97th Congress. However, the provision establishing an Inspector General in the Department of Defense, substantially incorporating the DOD

I.G. section of H.R. 2098, was contained in the Department of Defense Authorization Act for fiscal year 1983, Public Law 97-252.

6. Debt Collection.

Debt collection by Federal agencies may be made more efficient by the possibility the information on delinquent debt status could be transmitted to commercial consumer credit reporting agencies. Under an interpretation of the Privacy Act of 1974 by the Justice Department, however, acceptance of information from a Federal agency by a consumer credit reporting agency might subject the credit bureau to the requirements of the Privacy Act. This possibility has made the credit reporting industry reluctant to accept the information from Federal agencies.

In order to increase the efficiency of governmentwide efforts to collect debts owed the United States, Chairman Brooks introduced H.R. 2811 on March 25, 1981. H.R. 2811 would amend the Privacy Act to make credit reporting by Federal agencies permissible as a "routine use" under that Act. The safeguards of the Fair Credit Reporting Act would apply to information provided by Federal agencies, as it does to data given by others. The bill also permits disclosure of an individual's credit record by one Federal lending agency to another. In addition, H.R. 2811 amends the Budget and Accounting Act of 1921 to require that the annual budget of the President include information on the amount of debt outstanding under major debt programs of the Federal Government, the amount of debt in default, and the amount of debt expected to be collected during the fiscal year covered by the budget.

Hearings were held on H.R. 2811 by the Subcommittee on Government Information and Individual Rights. It was approved by voice vote by that Subcommittee on April 28, 1981, and by the full committee on May 12, 1981. It passed the House, with committee amendments, under Suspension of the Rules on May 18, 1981.

H.R. 2811 was referred to the Senate Committee on Governmental Affairs on May 19, 1981. No further action was taken on this bill during the 97th Congress. However, the provisions of H.R. 2811 were contained in an omnibus debt collection bill, H.R. 4613, which was signed into law as Public Law 97-365 on October 25, 1982.

7. Nine Digit ZIP Code.

As one component of its effort to contain labor costs and promote automation of its operations, the United States Postal Service announced a plan to expand the present five digit ZIP code to nine digits. Large volume mail users and others, however, have contended that the nine digit ZIP code would not produce the savings to the Postal Service which it claims and, on the other hand, would impose significant conversion costs on mail users, possibly exceeding $1 billion.

In order to prevent implementation of the nine digit ZIP code, the Committee considered H.R. 2590. This bill prohibits Federal agencies and establishments subject to the provisions of the Privacy Act of 1974 from converting to and using the nine digit ZIP code proposed by the Postal Service. The Privacy Act amendment provides that those agencies subject to the Act may not disclose as part of an address any ZIP code longer than five digits. Inasmuch as the U.S. Postal Service is subject to the Act, it too would be prohibited from disclosing the longer codes in any address-specific way.

Hearings were held on H.R. 2590 by the Subcommittee on Government Information and Individual Rights, and it was ordered reported, as amended, by that subcommittee on April 18, 1981. The committee ordered the bill reported, as amended, to the full House on June 16, 1981. H.R. 2590 was sequentially referred to the Committee on Post Office and Civil Service, which was discharged from consideration of the bill on September 10, 1981. H.R. 2590 was then committed to the Committee of the Whole House on the State of the Union. No further action was taken on H.R. 2590 during the 97th Congress.

8. National Historical Publications and Records Commission.

Congress in 1934 established the National Historical Publications Commission for the purpose of promoting the collection and publication of "the papers of outstanding citizens of the United States, and other documents as may be important for an understanding and appreciation of the history of the United States." The Commission later was authorized to make grants to Federal, State, and local agencies and nonprofit organizations to collect and preserve documentary sources relating to the history of the United States and, in 1947, it was redesignated the National Historical Publications and Records Commission. The Commission has made numerous grants to projects editing the papers of historical figures and preserving documentary source materials.

The authorization of NHPRC expired in fiscal year 1981. Reauthorization of the Commission for a two-year period at an annual authorization level of $3 million was provided for in H.R. 2979, introduced by Chairman Brooks on April 2, 1981. Hearings were held by the Subcommittee on Government Information and Individual Rights. The subcommittee and full committee ordered the bill reported and it was considered on the House Floor on May 18, 1981. It failed of passage under Suspension of the Rules on May 19, 1981, by a vote of 165–231.

On July 16, 1981, a rule was granted and reported by the Rules Committee permitting consideration of H.R. 2979 under conventional procedures. No further action was taken on H.R. 2979 during the 97th Congress.

9. Department of Defense Authorization Act.

H.R. 3519, the Department of Defense Authorization Act for fiscal year 1982, was sequentially referred to the Committee on Government Operations by the Speaker for consideration of such provisions of the bill as fall within the jurisdiction of the committee relating to Federal procurement. The committee subsequently made a detailed study of those provisions which affect procurement policy for the Defense Department and for the government as a whole. The committee's study resulted in a number of proposed amendments to H.R. 3519 which, in the opinion of the committee, would improve the procurement process, provide better timing for such changes in the process as may be necessary, and gain economies in the vast expenditures authorized by the legislation.

Hearings on H.R. 3519 were held by the Subcommittee on Legislation and National Security. The subcommittee and full committee proposed amendments to the bill, which was ordered reported to the full House by the committee on June 9, 1981. On July 7, 8, 9, 10, and 15, 1981, the full House debated and voted on the committee's amendments to H.R. 3519. These amendments were rejected.

10. Budget Reconciliation Conference.

On July 21 and 23, 1981, members of the committee served as House conferees for a subconference on H.R. 3982, the Omnibus Budget Reconciliation Act of 1981. Chairman Brooks served as chairman of the subconference, which considered three matters within the jurisdiction of the committee: reductions in spending for consultants within the Executive Branch, reductions in spending for travel within the Executive Branch, and establishment of administrative and procedural requirements to be met by States receiving block grant funds under the Act. The conferees reached agreement on language concerning these matters. The language was incorporated as Sections 1731, 1732, and 1741 through 1745 of the conference report and approved by the full House on July 31, 1981.

11. Federal Grant and Cooperative Agreement Act Amendment.

The Federal Grant and Cooperative Agreement Act of 1977 was passed by the Congress to impose consistency in the selection and use of contract, grant and cooperative agreement instruments by executive branch agencies by requiring that their use reflect basic Federal/non-Federal relationships. Section 10(d) of the Act gives the Director of the Office of Management and Budget the authority to grant exceptions from the Act's provisions to certain programs and transactions; however, this authority expired in February 1981.

During the 97th Congress, Chairman Brooks introduced H.R. 3943 which would amend the Act to eliminate the expiration date on OMB's exemption authority. Hearings were held by the Legislation and National Security Subcommittee and it was ordered reported by that subcommittee on Feburary 24, 1982. The Committee reported the bill to the full House on March 4, 1982. It passed the House under suspension of the rules on March 23, 1982. Passage then was vacated and an identical bill, S. 892, was passed in lieu thereof. S. 892 was signed by the President as Public Law 97-162 on April 1, 1982.

12. Economy Act Amendment.

The Economy Act of 1932 permits agencies to place orders with other agencies for goods and services. However, only five named agencies—the Departments of the Army, Navy, and Treasury; the Federal Aviation Administration; and the Federal Maritime Commission—are allowed to requisition goods and services that the servicing agency could supply "by contract." This limitation inhibited agencies' ability to take advantage of other agencies' areas of expertise in the procurement of specific types of goods and services. H.R. 2528 would amend the Economy Act to extend authority to contract out for goods and services on behalf of other agencies to all Federal agencies.

Chairman Brooks introduced H.R. 2528 on March 17, 1981. Hearings were held by the Legislation and National Security Subcommittee. It was ordered reported, amended, by the Subcommittee on February 24, 1982. The bill was ordered reported, amended, by the full committee to the House on March 4, 1982. It passed the House, as amended by the Committee, under suspension of the rules, by a vote of 356 to 43 on March 23, 1982.

H.R. 2528 was referred to the Senate Governmental Affairs Committee, which reported the bill to the Senate on September 24, 1982. It passed the Senate on October 1, 1982, and was signed by the President as Public Law 97-332 on October 15, 1982.

13. Prompt Payment Act.

Private businessmen who supply goods and services to the Federal Government have frequently complained that the government has failed to pay for those goods and services in a timely manner. The companies must borrow money at high interest rates to secure operating funds which would have been available if the government had paid its bills promptly. The government itself also is hurt because its reputation as a slow payer discourages businesses from bidding for government contracts. The government consequently is deprived of the innovation and lower prices that result from vigorous competitive bidding for contracts.

In order to correct this situation, Chairman Brooks introduced H.R. 4709, the Prompt Payment Act. H.R. 4709 requires every Federal agency to pay an interest penalty on amounts owed to business concerns for the acquisition of property or services when the agency does not pay on time. Unless the required payment date is stipulated in the contract, the bill requires payment within 30 days of receipt of a proper invoice for the amount of the payment due. Special provisions are made for purchases of meats and perishable agricultural commodities. Interest on overdue bills is to be paid at a rate to be set by the Secretary of the Treasury, and the obligation for agencies to pay such interest is automatic: business concerns are not required to take actions to collect such payments.

Chairman Brooks introduced H.R. 4709 on October 7, 1981. Hearings were held by the Subcommittee on Legislation and National Security and that subcommittee ordered the bill reported, amended, to the full committee on February 24, 1982. The full committee ordered H.R. 4709 reported, amended, to the House on March 4, 1982. The House passed the bill, as amended, under suspension of the rules by a vote of 396 to 0 on March 23, 1982. Passage was vacated and a similar bill, S. 1131, was passed in lieu thereof after being amended to contain the language of H.R. 4709 as passed. On May 11, 1982, the Senate concurred in the House amendments to S. 1131. The President signed the bill as Public Law 97-177 on May 21, 1982.

14. Reports Elimination Act.

According to the General Accounting Office, Federal agencies are the subject of approximately 2,900 Congressionally mandated recurring reporting requirements. In an effort to reduce the cost associated with such requirements and to eliminate unneeded paperwork, Congress has periodically examined the necessity for continuing such requirements. In the 97th Congress, Chairman Brooks and Congressman Frank Horton introduced H.R. 6005 to accomplish this purpose. As passed by the House, H.R. 6005 would eliminate or modify 69 reports which executive branch agencies are currently required by the law to send to Congress on a recurring basis. It would completely eliminate 35 reporting requirements and modify 34 others, resulting in a savings to the Federal Government of $4 million.

Chairman Brooks and Congressman Frank Horton introduced H.R. 6005 on March 31, 1982. Hearings were held by the Legislation and National Security Subcommittee which ordered the bill reported, amended, to the full committee on July 29, 1982. The full committee ordered the bill reported, amended, on August 10, 1982. H.R. 6005 passed the House, amended, under suspension of the rules on September 20, 1982. It was referred to the Senate Committee on Governmental Affairs.

The Senate Governmental Affairs Committee reported a related bill, S. 2258, to the Senate on September 24, 1982. On December 8, 1982, the Senate Governmental Affairs Committee was discharged of H.R. 6005, which then passed the Senate. H.R. 6005 was signed as Public Law 97-375 on December 21, 1982.

15. Consolidated Federal Funds Report Act.

H.R. 7096, the Consolidated Federal Funds Report Act of 1982, requires the Office of Management and Budget (OMB) to compile information detailing the amounts of Federal funds expended in each state, county, Congressional district, and municipality. This information will be drawn from four available sources:

(1) the Federal Assistance Awards Data System (OMB),
(2) the Federal Procurement Data System (OFPP),
(3) Office of Personnel Management data files (OPM), and
(4) Records of the Office of the Secretary of Defense (DOD).

The Consolidated Federal Funds Report (CFFR) will detail amounts expended in categories, such as grants, cooperative ageements, loans, salaries, pensions, procurements, and similar disbusements for Fiscal Years 1983, 1984, and 1985.

Since the CFFR will not be operational until 1983, the Act provides for the preservation of comparable information readily available from departments and agencies covering expenditures for Fiscal Year 1981 and Fiscal Year 1982 but would not result in published reports of these years.

Chairman Brooks introduced H.R. 7096 for himself, Congressman Horton and Congressman Boner, on September 14, 1982. Hearings were held by the Legislation and National Security Subcommittee. It was ordered reported, amended, by the subcommittee on September 21, 1982. The bill was ordered reported, amended, by the full committee to the House on September 28, 1982. It passed the House, as amended by the committee, by voice vote on September 28, 1982. The House then took up S. 2386, the comparable Senate bill and substituted the language of H.R. 7096 for that of S. 2386. The Senate concurred in the House amendments to S. 2386 on October 1, 1982, and on October 15, 1982, the President signed it as Public Law 97-326.

16. ACIR Membership.

The Advisory Commission on Intergovernmental Relations was established in 1959 to monitor the operation of the American Federal system and to recommend ways to improve its functioning and effectiveness. ACIR's enabling legislation provided for bipartisan membership of 26 individuals drawn from the Federal legislative and executive branches, State legislative and executive branches, mayors, county officials, and private citizens.

In order to reflect changes in intergovernmental relations since ACIR was established in 1959, H.R. 7173 was introduced in the 97th Congress to add members to the Commission. H.R. 7173 would add three new members, including one judge of a United States Courts of Appeals or District Court, one State chief justice or judge of a State court of last resort, and one elected school board member. In addition, one of the four positions now designated for municipal representatives would be filled by an elected official of a town or other general purpose local government with a population of less than 10,000.

H.R. 7173 was introduced by Chairman L. H. Fountain of the Subcommittee on Intergovernmental Relations and Human Resources on September 23, 1982, after hearings on similar bills had been held by that subcommittee. It was ordered reported as a clean bill by the subcommittee on that date and was ordered reported by the full committee to the House on September 28, 1982. It passed the House on September 28, 1982, and was referred to the Senate Committee on Governmental Affairs on October 1, 1982.

On December 16, 1982, the Senate Committee on Governmental Affairs was discharged from further consideration of H.R. 7173 and the bill then passed the Senate, amended. On December 20, 1982, the House agreed to certain Senate amendments and agreed to other Senate amendments with amendments. No further action was taken on H.R. 7173 during the 97th Congress.

17. Civil Defense Property.

In 1971, the Defense Civil Preparedness Agency (DCPA) initiated the Contributions Project Loan Program (CPLP). Under this program, property was loaned to State and local governments for civil defense purposes. As a unit of the Department of Defense, DCPA was able to obtain "reutilization property" from within DOD and loan it to State and local governments for civil defense use, with title remaining in the United States. From 1971 to 1979, when DCPA's functions and resources were transferred to the Federal Emergency Management Agency (FEMA), nearly 30,000 items were loaned under this program.

H.R. 1856 would enable FEMA to close out the books on this property loan program. On certification that each piece of property continues to be used for a purpose consistent with that for which it was loaned, the Administrator of General Services would be required to transfer ownership of the property to the State or local government entity holding the property.

H.R. 1856 was introduced by Chairman Price of the House Armed Services Committee and Congressman Dickinson, Ranking Minority Member of that committee, on February 17, 1981. It was jointly referred to the Committee on Armed Services and the Committee on Government Operations. On September 28, 1982, the bill was considered by unanimous consent by the full Committee on Government Operations and ordered reported to the House. The Armed Services Committee reported it on October 5, 1982.

On December 13, 1982, H.R. 1856 passed the House, amended, under Suspension of the Rules. Subsequently, passage of H.R. 1856 was vacated and S. 1444, a similar Senate-passed bill, was passed in lieu thereof. On December 22, 1982, S. 1444 was signed by the President as Public Law 97-380.

B. AUTOMATIC DATA PROCESSING

Over 17 years ago, the committee, anticipating the key role that computers would play in the operations of government, recommended and Congress enacted Public Law 89-306 which established a framework for the central management and procurement of the government's ADP resources. The Act is grounded upon two basic objectives: (1) ADP resources should be procured as economically and efficiently as possible using full and open competition; and (2) only those resources should be procured which are needed and which can assist the management of government programs. The Department of Defense, as well as other Federal agencies, fall under the provisions of the Act and are required to follow the policies and procedures established by it.

The growth in the expenditures for and use made of computers far exceeded the levels originally anticipated by the committee. The magnitude of this growth has prompted the committee to closely monitor the administration of the Act. During this session, indepth reviews of approximately 15 major ADP procurements were conducted. In addition, several followup reviews of past procurements were made to ensure that the committee's recommendations were being carried out.

The committee has found that, overall, the Act, while providing significant benefits, has neither been satisfactorily administered nor effectively implemented to its fullest potential. The Act has opened the government market more widely to the ADP industry than that which exists in the commercial market. Billions of dollars have been saved in ADP procurement. However, the low number of fully competitive ADP procurements coupled with the apparent inability of the agencies to effectively acquire and use ADP resources will, if allowed to continue, ultimately result in seriously jeopardizing the effectiveness of government operations.

1. Major Committee ADP Investigations.

a. Review of the Air Force's Phase IV Programs.—In April 1976, the Air Force initiated a $5 billion program to replace its existing base level computer systems at 118 major bases around the world. This program, called Phase IV, was designed to acquire two new computer systems at most locations (229 total) to support the logistics, supply and various administrative functions of the Air Force.

Based upon a thorough investigation by this committee and the GAO, resulting in extensive hearings, the Secretary of the Air Force initiated a complete review of the Phase IV program. The

Secretary subsequently redirected the Phase IV program along the lines of the committee's recommendations. The Secretary of the Air Force, in a letter to the chairman of this committee, projected a savings of $800 million due to the reduction of the number of computer systems acquired for the Phase IV program.

During the past year, this committee has continued to monitor the progress of this procurement, the largest and most complex ADP procurement in the world. In fact, there are indications that even more savings will be achieved because of the reduced number of personnel needed to operate the base-level systems.

b. Review of the Social Security Administration's computer operations.—As a result of this committee's request in October 1978, GAO undertook an extensive series of reviews in seven investigative reports being issued by GAO on the operations at SSA. While SSA's computer operations stood as a model of efficiency and economy in the late 1950's and early 1960's, SSA has not kept up with the rapidly advancing technology. Virtually every phase of its operations are suffering from serious deficiencies, including obsolete computer programs, poorly trained personnel and poor computer security.

Evidence was presented during hearings held in September 1981 which clearly showed that the steady deterioration in the operation and management of SSA's computer system resources had reached a crisis point. The computer systems were teetering on the brink of disaster. Any one of several existing weaknesses could easily upset this delicate balance. In the meantime, system performance, reliability, and responsiveness would continue to degrade. This is particularly evident in SSA's failure to properly credit $69 billion in earnings to individual accounts.

As a result of these hearings, the Commissioner of SSA agreed to place top priority in resolving the many problems facing the agency which SSA has long avoided. Additionally, the committee's efforts to date have resulted in more than 250 needless and wasteful procurements being canceled at an estimated savings of $75 million.

Following the hearings, SSA published a five-year plan to modernize its ADP systems at a total cost of $479 billion. While this document has been touted as a complete blueprint to resolve SSA's current computer crisis, the committee believes the plan is seriously flawed. Little attention was given to the numerous software, management, and personnel deficiencies which the Commissioner had acknowledged during the hearings as being SSA's most serious problems. The current plan is essentially another hardware solution which will, at best, only temporarily delay the continuing deterioration of SSA's computer operations.

The committee recommended in its report on SSA (House Report 97-900, "Mismanagement of SSA's Computer Systems Threatens Social Security Programs") that the Secretary of HHS personally take charge of SSA's long-term ADP acquisition project and to correct the deficiencies that exist in SSA's planning and acquisition process.

c. Review of GSA's acquisition of ADP resources.—At the request of the committee, the GAO undertook a review of GSA's continued sole-source reliance on the INFONET teleprocessing contract. The

GAO recommended that GSA not extend the current contract and to immediately take steps to competitively procure needed services.

The committee recommended to the Administrator of GSA that it implement GAO's recommendations. In 1981, the Administrator acted upon the committee's recommendations and successfully competed one portion of the teleprocessing requirements for GSA resulting in expected savings of $35 million.

d. Review of the computer failures at the North American Aerospace Defense Command's (NORAD) attack warning system.—Beginning in October 1979, a series of computer failures occurred at NORAD resulting in our nation's strategic forces being placed unnecessarily on alert. Because of concern over the impact these computer failures may have on our nation's security and since the Government Operations Committee has jurisdiction over Federal computer acquisitions, the committee requested in December 1980 that the GAO undertake an immediate and thorough investigation into the computer systems at the NORAD missile warning center. The committee requested that GAO specifically review NORAD's acquisition and use of ADP and telecommunications to determine what corrective actions are needed to ensure that these failures do not recur.

After an extensive review resulting in hearings held by this Committee, it was found that NORAD's current obsolete computer systems are a result of a modernization program which began in 1966. By May of 1981, the project was more than 6 years behind schedule and about $150 million over budget. More importantly, the system only has an information processing capability of the 1966 system it replaces. The Acting Comptroller General testified before this committee that the problems at NORAD had reached a critical stage and that priority attention was needed at the highest levels of the Defense Department.

The failure of the NORAD modernization program and the past mismanagement of the NORAD facility culminating in the false alerts underscore the ADP management failures that have occurred almost routinely throughout DOD during the 1970's. The Department's attempts to develop large-scale systems development projects are habitually plagued by excessive cost overruns, schedule slippages and unacceptable performance levels. These projects are characterized by poor planning, fragmented management, and a lack of accountability and leadership. Correcting these deficiencies will not only save billions of dollars but will greatly improve DOD's ability to meet its critical defense missions.

Both OMB and the DOD testified that they were placing top priority on correcting the problems at the critical NORAD complex.

e. Review of the Service Contract Act as it applies to ADP and other high-technology industries.—The Service Contract Act of 1965 protects workers' wages on Federal contracts when the contracts' principal purpose is to provide services in the United States using service employees. For contracts over $2,500, the minimum wages and fringe benefits must be based on rates the Secretary of Labor determines as prevailing for service employees in the locality.

The Department of Labor in June 1979 decided to extend the coverage of the Act to the ADP and other high technology industries. Because of concern that such an action may adversely affect an already highly competitive industry, this committee requested GAO to review DOL's decision to extend the Act. GAO concluded that DOL's position is not supported by the Act's language and legislative history, by DOL's own regulations, or by its administrative manual. Further, it would be inappropriate to extend the Act to these high technology industries. This conclusion was reaffirmed by GAO in their evaluation of DOL's response to GAO's recommendations.

f. Review of the Air Force's proposal to upgrade computer systems that support its Global Weather Central System.—As part of a long range program to improve the computer-based capabilities of the Air Force Global Weather Central System, the Air Force decided that a series of sole-source procurements of general purpose computers in the present manufacturer's product line were in the government's best interest. By avoiding the competitive process, the Air Force felt that $30 million in software conversion costs could be saved and minimize the technical risks associated with changing vendors. On this basis the Air Force decided to pursue a sole-source acquisition.

Because of concern by the committee over the repeated sole-source acquisitions by the Air Force, GAO was requested to review this proposed upgrade. After a lengthy investigation, the GAO found that the sole-source upgrade was not justified and recommended that the procurement be suspended until the Administrator of GSA is satisfied with the actions taken by the Air Force to correct the deficiencies uncovered by the GAO.

g. Review of SBA's Section 8(a) program as it relates to the acquisition of ADP equipment and services.—Section 8(a) of the Small Business Act (P.L. 95–507) is designed to help socially and economically disadvantaged businesses become more competitive. Under this program, Federal agencies set aside a portion of their procurement contracts for disadvantaged small businesses through contracts with the SBA. The SBA provides management, technical, marketing, and financial assistance with the goal of enabling these firms to eventually compete in the open marketplace. Because of concern by the committee that the Section 8(a) program was not meeting its original objectives and, in fact, was becoming a front for agencies to avoid the competitive ADP procurement process, GAO was requested to undertake an investigation into the program.

As a result of GAO's review, the committee conducted two days of oversight hearings into the program. These hearings painted a grim picture of a program which has been overtaken by waste, fraud, and abuse.

Unfortunately, the objective of helping minority small businesses become viable firms in the open marketplace was not being achieved. Congress, over the years, had dedicated substantial sums of public money to this program to assist legitimate minority small business firms. Instead, what occurred was the manipulation of the program by a few contractors for their own economic benefit. SBA and other Federal agencies appeared to be willing participants. Because of this gross mismanagement and the lack of dedication to achieving the true objectives of this important program, the benefits were being siphoned off before they could get to the legitimate beneficiaries which Congress intended to help.

The committee also found that only 4 percent of the 4,600 firms aided by the program had successfully moved on to become self-sufficient, which is the aim of the program. It also found that 30 percent of the $4.4 billion in contract awards went to just over 50 of the firms.

At the hearing, the SBA Administrator assured the committee that he would make it his "first priority to correct the tremendous problems that currently exist in the program."

h. Review of the Health Care Financing Administration's (HCFA) plans to acquire its own computer center.—At the request of the committee, the GAO undertook an investigation into HCFA's plans to discontinue its use of the Social Security Administration's (SSA) computer center and to establish its own computer facility. The committee expressed its concern that the planned move by SSA to a new computer complex could be disrupted. Further, HCFA's limited resources would be split between its efforts to successfully complete its long-range ADP acquisition and the installation of an interim computer facility.

After a thorough review, the GAO found that HCFA's plans were complex, overly ambitious and not properly justified. Further, SSA has sufficient processing capability to fulfill HCFA's needs until the long-term acquisition is completed. Also HCFA's plans to establish its own center and the planned move by the SSA to a new computer center presents an unnecessary risk to both agencies.

The committee recommended to HCFA that it concentrate its efforts on successfully completing its long-range computer acquisitions, particularly along the lines of OMB Circular A-109. The agency agreed to this recommendation and shelved its plans for an interim computer facility resulting in a savings of $20 million.

i. Review of the Department of Agriculture's acquisition, management, and use of its computer resources.—Because of long-standing concerns that Agriculture was not efficiently and effectively acquiring and using its ADP resources, the committee requested the GAO to undertake a broad management review of the use of ADP within the Department. After a comprehensive investigation, GAO identified serious problems in the way the Department uses these critical resources, particularly in the areas of planning and management. The failure of the Department to effectively use this essential technology is plainly illustrated by the failure of the Farmers Home Administration (FmHA) to successfully develop its Unified Management Information System (UMIS) which cost the taxpayers about $20 million. The project was finally halted at the recommendation of the committee.

At the conclusion of GAO's broad ADP management review, the committee recommended that Agriculture carefully study the GAO report and take the necessary decisive actions to resolve the serious deficiencies uncovered by GAO. Further, the committee urged USDA to establish a strong central management system under the leadership of the senior official called for in the Paperwork Reduction Act of 1980 (Public Law 96-511).

In response to the committee's recommendations, the Secretary of Agriculture committed the Department to correcting the problems identified in the GAO report. The Secretary further agreed that after a vigorous, centralized analysis by the Department, the necessary reforms will be made in conjunction with the Paperwork Reduction Act.

j. Review of the Veterans' Administration's management of its ADP resources.—The committee has conducted several reviews of VA's use of computer technology in its hospital system. By and large, these reviews have shown that VA's mismanagement and poor planning of computer purchases has greatly undermined its ability to provide up-to-date patient care for veterans.

Dissatisifed with the slow progress of VA in addressing its serious computer deficiencies, the committee initiated a new investigation in October 1981.

The results are not reassuring. VA's mismanagement of its critical ADP resources has led to (1) delays in veterans receiving benefit payments; (2) the loss of interest on over two billion dollars in past due accounts; (3) inadequate patient scheduling which has resulted in unnecessary patient visits and long waiting times; (4) dispensing duplicate prescriptions which could increase the likelihood of drug overdoses, addiction, and blackmarketing; and (5) inferior health care by increased waiting for laboratory results.

The committee finds that management instability is at the core of VA's problems. Since February 1981, two administrators and two deputy administrators have resigned their posts leaving two acting administrators to determine the economic fate and health care of our American veterans. In the aftermath of these resignations, the acting administrators have imposed uncertainty and indecision on an already disheveled bureaucracy. Each new administration has brought with it a new plan and a new organization, which has left the VA without the stable, central leadership it must have to stop the improper use of its computer information resources. As a result of this situation, VA has severely neglected the automation requirements of it medical centers and continues to process critical benefit and administrative systems with archaic and deficient software. Although VA officials have repeatedly turned to sole-source hardware procurements to provide VA with newer technology, the agency still clings to outdated operating systems that greatly limit the capabilities of their newly acquired computers. The VA continues to plod through failure after failure despite repeated warnings and guidance from the Congress, GAO, and other audit and oversight agencies.

The committee has asked the newly-named Administrator to carefully review VA's past ADP policies and to take the necessary corrective actions that are so urgently needed.

k. Review of the Army's sole-source procurement of division level data entry devices.—During hearings on the Section 8(a) program of the Small Business Administration, it was discovered that the Army was planning to sole-source several hundred million dollars of computer equipment through an 8(a) broker arrangement. Further, the Army not only plans to continue this brokering arrangement, but plans to even increase its sole-source acquisitions through the 8(a) firm.

Because of concern that this procurement adds a considerable cost to the government with little added value, freezes out other more competitive firms and locks the Army into obsolete technology, the committee requested that GAO undertake an immediate investigation into the merits of this procurement. The investigation is continuing.

l. Review of Department of Defense plans to develop its own military computer systems.—The Department of Defense plans to implement a proposed regulation (DOD Instruction 5000.5x) which will require that the military departments buy their tactical computers only from vendors who are willing to give the government full and clear data rights to their architectural designs. Further, only those companies that are approved by DOD would be allowed to compete. Since the use of embedded computers is expected to grow to about $38 billion by 1990 from its current budget of $4.1 billion, the effects of a decision to implement the proposed regulation are far-reaching.

Because of the tremendous impact such a regulation would have on DOD and the computer industry, the committee asked GAO to conduct an immediate investigation of the matter. In January 1982, the General Accounting Office reported that the new policy, if implemented, would (1) lock DOD into obsolete technology, (2) severely restrict competition to those companies willing to help DOD implement obsolete technology, and (3) hinder DOD's ability to take advantage of private industry's technical innovation. The GAO recommended that DOD Instruction 5000.5x not be implemented.

DOD rejected this recommendation on the basis of a report prepared by the Defense Science Board task force composed mainly of defense industry representatives. Based upon the findings of this report, DOD plans to aggressively pursue the implementation of the proposed policy. However, the credibility of the task force report has been publicly questioned and GAO, in a separate investigation, found that 7 of the 11 task force members had a financial interest in pursuing the policy.

During hearings held by the Legislation and National Security Subcommittee, testimony was received from representatives of almost 2,000 computer and high technology companies who, along with GAO, questioned the wisdom of DOD's action. The evidence presented at the hearings clearly demostrated that DOD Instruction 5000.5x, if implemented, could have disastrous effects on the present technological advantages which we now enjoy over our adversaries. Not only would the instruction lock DOD into technology that is obsolete, but the policy would ensure that DOD will forever lag behind the technology available in the commercial marketplace. Equally as important is the temendous cost that is needed to duplicate the advances already accomplished by the computer industry.

DOD is currently preparing cost/benefit studies showing the effects of the policy at the direction of the House and Senate Armed Services Committees. While these studies are not yet completed, DOD officials have publicly proclaimed that they will contain conclusions in favor of the proposed instruction. The committee intends to review any action that DOD may take in this matter.

m. Review of information management activities at selected agencies.—The use of information technology is increasing at a rapid rate throughout our government and many agencies are now wholly dependent upon its use. Such technology is essential to efficient and effective government. The committee believes that many agencies are not benefiting from its use or properly adapting it to their programs. During these times of scarce economic resources and competing interests, it is essential that the government streamline its operations to achieve needed economies.

Because of these concerns, the committee requested the GAO to undertake a broad review of the information management activities of selected agencies to identify where information technology can be of benefit to those agencies in terms of economy and efficiency. The committee believes that GAO is in a unique position to constructively identify new uses of the technology, especially in areas of decreasing the paperwork burden and improving services to our citizens.

Since the implementation of the Paperwork Reduction Act of 1980 will have a considerable impact on the way agencies manage and use information technology, the committee expects that the results of GAO's work in identifying new uses of information technology will be a model for increasing economy and efficiency within the government.

n. Review of computer consolidation at the Department of Commerce.—At the request of the committee, the GAO performed an investigation of two large-scale computer procurements being conducted by the National Bureau of Standards (NBS) and the Environmental Research Laboratories (ERL).

The GAO found that significant modifications to the current procurement proposals could result in savings of about $25 million out of total expected costs of about $66 million for both procurements. These are substantial savings, particularly in view of current budgetary problems. While the GAO recommended that the procurement of a general-purpose computer for NBS be continued, it believes that the other procurement actions could be stopped or substantially delayed. The GAO pointed out that the general-purpose computer planned for NBS could provide the necessary technical support for a departmentwide scientific processing center, which GAO believes should be established.

At the recommendation of the committee, Secretary Baldrige agreed to implement the GAO recommendations.

o. Review of DOD's procurement of teleprocessing services.—The procurement practices of the military services have led to situations where the government pays excessive costs for its teleprocessing services. With the assistance of the GAO, the committee reviewed three teleprocessing contracts. The committee found that in one case the Army was paying 14 times what it originally expected to pay—$120 million vs. $8.5 million, and in another case the Navy was paying 25 times what it originally expected to pay—$13 million vs. $524,000. In the final case involving the Air Force's Copper Impact system, GAO was unable to determine the exact cost increase, but reported that the government could expect to pay substantial additional monies beyond the original estimate.

At the recommendation of the committee, the Secretary of Defense directed that the Army and Navy contracts be recompeted and that substantial savings will be achieved by this action. The Air Force, however, has continued to resist GAO's recommendation to terminate and has, in fact, rejected a GSA recommendation that the Air Force Auditor General review the contract for possible fraud and abuse. Recently, the Assistant Secretary of the Air Force for Financial Management has directed an Auditor General's study of the procurement be undertaken.

2. ADP Issues of Continuing Interest.

Recognizing the widespread concern over the heavy cost in time and money the public must bear in dealing with the Federal Government, the committee initiated legislation which would control the Federal paperwork demands placed on the public. The legislation was signed into law by President Carter in December 1980 as P.L. 96–511, the Paperwork Reduction Act of 1980.

The new law provides for the first time centralized authority over the paperwork and information-gathering activities of the Federal departments and agencies. Its aim is to reduce the amount of paperwork and redtape imposed on the public by 25 percent over the next three years and to make the government more responsive to the people. A particular goal of the Act is to relieve the paperwork burden on States, local governments and small businesses.

The Act also tightens the management of the agencies' automated data processing equipment by increasing competition in the acquisition of ADP equipment and services, and promoting the use of this technology to improve government services and reduce their costs. In addition to easing the burden of government paperwork on the public, the Act will enable the agencies to make better use of the information they gather through proper application of advanced technology in information processing.

Clearly, substantial opportunities are available in this area. During the committee consideration of the legislation, witnesses from the President's Reorganization Project (PRP) testified that large savings can be achieved through the proper use of information technology. One example cited involved the Department of Labor's Black Lung Program. The project team concluded that the costs of running the program could be reduced from its present level of $41 million to $17 million through automation. The committee believes savings of this magnitude can be achieved in most major government programs and will continue its efforts to identify and promote these type of projects.

Unfortunately, the benefits of the Act are not being achieved. While OMB has primary responsibility for implementation of this important legislation, it has involved itself in activities which are, at best, ancillary to its primary mission under the Paperwork Act. The GAO reported that out of 37 key requirements of the Act, OMB had only completed three and that there is very little possibility that OMB will meet its statutory deadlines. The Comptroller General warned that without OMB's commitment, the substantial savings and improved productivity available under the Paperwork Act will not be achieved.

The committee is disturbed by the continued failure of OIRA to fulfill its responsibilities under the law. The committee intends to carefuly review current and planned activities of the Office to determine if reauthorization is warranted for Fiscal Year 1984.

Continued attention will also be given to DOD's management and use of ADP resources. The committee is deeply concerned over the numerous computer system failures experienced by DOD during the last ten years. The Advanced Logistics System, Phase IV, WWMCCS, and NORAD are but a few examples where billions of dollars have been wasted by the military department when they attempted to develop large-scale ADP systems. More importantly, these failures have greatly undermined the preparedness of our military forces. The committee's investigation of these projects revealed that the single underlying cause of these failures is mismanagement by the Department, Joint Chiefs of Staff and the Military Services. Specifically they have:

Failed to effectively plan for ADP procurement and implementation;

Failed to adequately identify user requirements;

Failed to develop functional specifications;

Failed to provide centralized acquisition management;

Failed to make effective use of the competitive process; and

Failed to establish adequate accountability.

The committee believes that DOD will never be able to successfully acquire and develop computer systems until it corrects these fundamental management problems.

Another area of concern to the committee is the continued viability of the Federal Information Processing Standards program. During the development of the fiscal year 1982 budget, efforts were made by the National Bureau of Standards (NBS) to drastically cut the funding of this important program. These cuts were being made by NBS without regard to the significant benefits that have been achieved by the program. According to the Department of Commerce statistics, the issuance of 54 Federal Information Processing Standards (FIPS) by the Institute for Computer Sciences and technology (ICST) is saving the government about $132 million annually. At our oversight hearings on the Paperwork Reduction Act, Deputy Secrertary of Commerce, Joe Wright, agreed to properly fund the program and to transfer it out of NBS. Subsequently, a joint agreement was made by the Department, OMB and GSA to transfer these important functions to GSA. The committee believes that this move will strengthen the standards program by providing the Institute an environment by which it can aggressively pursue its responsibilities.

The committee has also devoted considerable attention to the need for GSA to organize its Government-wide ADP and records management functions along the lines of the Paperwork Reduction Act. These functions were split between two separate services within GSA. The primary computer responsibilities were assigned to the Automated Data and Telecommunications Service (ADTS) while the records management, word processing and office automation functions were the responsibility of the National Archives and Records Service (NARS). This situtation led to considerable conflict and duplication and hindered GSA from fulfilling its responsibilities under the law. At the recommendation of this committee, Administrator Carmen consolidated these functions under Assistant Administrator Frank Carr.

Finally, the committee is undertaking an investigation of the acquisition and use of telecommunications throughout the government. While current estimates indicate that five to ten percent of the Federal budget is expended on this technology, there are no specific figures available showing how much and where this money is being spent.

Part of this problem lies in the complexity and difficulty in defining telecommunications. In an age of advancing technology, the interface between telecommunications and information processing has become increasingly blurred. Hybrid systems and "enhanced" services now offer a mixture of technologies that reach far beyond the basic telephone or the stand-alone computer.

Notwithstanding, the committee believes it is essential that Congress and the public have a full understanding of the magnitude of this investment. This is particularly critical as the Congress considers legislation that may impact substantially on this area.

3. Savings.

As a result of the committee's direct oversight of government ADP activities, approximately $2.1 billion has been saved by agencies redirecting or canceling unjustified projects. This includes about $237 million saved during the 97th Congress.

In addition, the implementation of Public Law 89-306 has continued to provide savings to the Federal Government. The Department of Commerce reported that the computer standards program saved $132 million during this same period. Further, additional savings of $5.8 billion were reported by the General Services Administration in the following letter to the committee:

GENERAL SERVICES ADMINISTRATION,
OFFICE OF INFORMATION RESOURCES MANAGEMENT,
Washington, D.C., November 19, 1982.

Hon. JACK BROOKS,
Chairman, Committee on Government Operations,
House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: This letter provides updated annual information on ADP cost avoidances achieved by the Federal Government as a result of the programs carried out by the General Services Administration under the Brooks Act authorities. The cost avoidances for Fiscal Year 1982 amounted to $631.3 million. Since passage of the Brooks Act on October 30, 1965, our ADP program activities have resulted in total cost avoidance to the Federal Government of about $5.8 billion, as summarized on the enclosure.

In addition, there was $2.3 billion in acquisition value of government-owned excess ADP equipment transferred between agencies in place of new procurements during this period.

It is a pleasure to report these cost avoidances that have resulted from the enactment of your legislation.

Sincerely,

FRANK J. CARR,
Assistant Administrator.

Enclosure.

AUTOMATED DATA AND TELECOMMUNICATIONS SERVICE COST AVOIDANCES OF ADP PROGRAMS—SUMMARY

[Dollars in millions]

	Fiscal year			Total
	1966–80	1981	1982	
1. Assistance to Federal agencies in procurement of ADP equipment	786.4	0	180.3	966.7
Separate contracts			[1] (10.0)	
Multiple award schedule contracts			[2] (170.0)	
2. Awards of ADP requirements contract	671.7	0	0	671.7
3. Improved terms and conditions and amendments of ADP contracts negotiated by GSA	478.4	94.1	[3] 150.0	722.5
4. Agencies use of the ADP fund to purchase ADP equipment	138.2	14.3	0	152.5
5. Teleprocessing services program	182.4	56.5	[4] 51.1	290.0
6. Sharing of ADP resources	2,444.0	242.0	[5] 235.0	2,921.0
7. Redistribution of government owned excess ADP equipment	35.5	16.6	14.9	66.8
Total ADP	4,736.4	423.5	631.3	5,791.2
Acquisition value of Government owned excess ADP equipment [6]	1,973.1	172.1	135.1	2,280.3

[1] Difference in price between new contract and expired contract.

[2] Difference in cost to agency between issuing delivery orders against GSA's Multiple Award Schedule Contracts versus issuing separate contracts.

[3] Negotiated economic benefits from multiple award schedule contracts vendors, e.g. discounts (basic, prompt pay, prompt renewal, etc.), free installation, FOB destination, price protection, extended warranties, etc.).

[4] Difference between best commercial prices and TSP Multiple Award Schedule Contracts prices.

[5] These dollars are based on the difference between the cost to the Government and the cost of comparable commercial services.

[6] Not included in above due to fact only measure is acquisition cost and no reasonable basis for measuring cost reduction can be determined.

C. FEDERAL PROCUREMENT POLICY

The committee has continued its efforts to promote the long overdue reform of Federal procurement policies. The government spends more than $120 billion a year on the procurement of goods and services. Despite this huge expenditure of money, efforts to significantly improve the Federal procurement system have been largely unsuccessful. The present system remains complicated and confusing. It is shackled with an outmoded and fragmented statutory foundation, regulatory and procedural proliferation beyond comprehension, an underdeveloped workforce and an absence of individual accountability results.

Congress has long recognized the desirability of establishing a governmentwide uniform procurement policy for all Federal agencies. A uniform policy benefits both purchasers and vendors. Uniform procurement practices provide economies and efficiencies for the government and allow more vendors, particularly small businesses, to enter the Federal marketplace. Government-wide policies also avoid duplication and paperwork, thereby reducing the waste of public funds and delays in procuring needed supplies and services.

Over the years individual agencies have been allowed to develop unique procurement regulations and practices. This has resulted in the creation of an enormous body of diverse laws, policies, and regulations that cripple the government's effectiveness and inhibit competition. In fact, the policies and practices of procuring agencies are so diverse that contractors seem to be dealing with different governments. Uncoordinated and unconstrained, agencies' procurement practices have resulted in the proliferation and fragmen-

BEST DOCUMENT AVAILABLE

tation of forms, functions, policies, and procedures that are overwhelming. Currently, there are two basic statutes and over 4,000 separate provisions of law governing procurement. Additionally, over 877 different sets of procurement regulations exist containing a total of 64,000 pages with approximately 22,000 pages of revisions done each year.

1. Current Governmentwide Procurement Reform Efforts.

The Office of Federal Procurement Policy Act Amendments of 1979, Public Law 96-83, directed OFPP to develop a comprehensive, governmentwide uniform procurement system. The Government Operations Committee report relating to Public Law 96-83 stated that the committee expects OFPP to devote its attention to development of a comprehensive and innovative system that incorporates all elements and stages of the total acquisition process. The central theme of the Uniform Procurement System (UPS) is to acquire property and services of the requisite quality and within the time needed at the lowest reasonable cost, utilizing competitive procurement methods.

The committee expects that the proposed system will be responsive to agency mission needs and should rely on (1) the initiative and judgment of qualified people who are accountable for their performance, (2) competition as the predominate means of getting the most value from Federal expenditures, and (3) the greatest possible simplicity in procurement operations so that all of American business—small, large, or minority alike—can participate fully. Further, mechanisms should exist to correct mismanagement, to improve operation of the system, and to settle disputes between the government and its contractors in an expeditious and fair manner. Such a system will minimize the procurement regulatory and paperwork burden imposed on both the agencies and contractors. However, in order to help ensure efficient and effective procurement actions and accountability for results, penalties for improper conduct will need to be established.

Almost five months after the statutory deadline, OFPP finally delivered their proposal for a uniform Federal procurement system on February 26, 1982, to the Congress for its review. While the committee has not yet decided on the final disposition of this proposal, it is clear that major revisions will have to be made by the Congress if the original objectives of the OFPP legislation are to be achieved.

This is particularly true in the recommendation for "dual conforming statutes"—one for DOD and one for the rest of the government. This action clearly violates Congressional direction for OFPP to develop a single, governmentwide procurement statute. Apparently, OFPP's recommendation is part of an overall effort to accommodate DOD's desire to have its own separate procurement system. It is clear that DOD has no intention of being a constructive part of this effort. As such, the committee believes the President, himself, will have to decide whether he supports governmentwide procurement reform. Without such a decision, it is unlikely progress can be made and, in effect, major procurement reform will be dead.

2. Competition.

The committee has long held the belief that any effort to reform government procurement practices must include a firm commitment to increase the use of competition in the Federal marketplace. Competition not only provides substantially reduced costs but also ensures that new and innovative products are made available to the government on a timely basis.

Despite the benefits that can be achieved, the Federal agencies, particularly DOD, have successfully resisted using competition in the majority of their procurements. For example, current statistics show that the majority of the Department of Defense acquisitions are made on a noncompetitive basis. While DOD Officials invariably claim that limiting competition is justified on the basis of national security, the committee has found that the deciding factor is one or more of the following:

Reluctance to invest in competition to ensure that competing sources of supply are maintained.

Unavailability of personnel with skill and expertise required to conduct a competitive procurement.

Dependence (psychological or actual) on the incumbent contractor's product or service.

Unwillingness to change current operating practices.

Rewarding performance based on factors other than reducing cost.

Exaggerating the value of short-term expediencies at the sacrifice of overall cost and performance.

Institutional bias toward "in-house" solutions which severely limit full involvement of industry.

Unwillingness to commit sufficient time and resources to advanced planning.

Inability to clearly and concisely define mission requirements or needs to the industry.

Rather than address these problems, DOD has over the years attempted to expand the definition of competition to include procurements which severely restrict competition. For example, some components in DOD assert that sufficient competition is achieved as long as two vendors are involved in a procurement. However, as long as the number of qualified vendors is restricted, true competition is not achieved. In the case of Phase IV, a $5 billion computer procurement by the Air Force, the two "competing" contractors were both incumbents, GAO reported that up to 11 qualified vendors were excluded by restrictive Air Force specifications. Notwithstanding, the Air Force maintained that this was a fully competitive procurement.

These same components also assert that noncompetitive "follow-on" contracts to an incumbent vendor are not sole-source procurements. This means that once a vendor lands a contract, ostensibly under some form of price or technical competition, the agency may continue to sole-source its acquisitions indefinitely into the future. If this proposal is widely accepted, it would eliminate any chance of DOD ever achieving an acceptable level of competition in its procurements. The end result would be that DOD's ability to acquire innovative, cost-effective products would be drastically reduced.

This is particularly true in the rapidly changing high technology area when the incumbent product line may be technically generations behind other companies' latest offerings in the industry.

The committee voiced its concerns about the lack of competition within the Defense Department during hearings on the 1982 DOD Authorization bill. Administration witnesses testified in favor of the establishment of a national policy promoting full and open competition. Unfortunately, while many officials appear to favor the use of competition in procurements, the number of sole-source or limited competition procurements remain at an unacceptably high level. The committee intends to closely follow the activities of Federal agencies which persist in using this form of procurement.

3. Major Systems Acquisition Policy.

The Office of Management and Budget, through its Office of Federal Procurement Policy, issued Circular A-109 on April 5, 1976. The purpose of A-109 is to establish procedures to be followed by executive branch agencies in the acquisition of major systems. Key provisions of the circular are that Federal agencies are to:

(1) Express needs and program objectives in mission terms and not equipment terms to encourage innovation and competition in developing alternative system design concepts,

(2) Ensure that each major system fulfills the mission needs,

(3) Accomplish system acquisition planning, built on analysis of agency missions resulting from clear articulation of mission needs, and

(4) Establish a program manager at the start of each major system acquisition to provide continuity and accountability for the program.

The committee has long supported the A-109 concept as a commonsense approach to large-scale system acquisitions. The above provisions are based on managerially sound principles that can and should be applied to all such acquisitions whether they be in the Department of Defense or the Department of Health and Human Services.

Notwithstanding, elements within the Department of Defense have suggested that DOD abandon OMB Circular A-109 and devise its own policy. The claim is that this circular is extending an already too long transition from system development to operational deployment of a system. No specific examples have been given to support their assertion nor did it explain how exempting DOD from A-109 would resolve the weapons system acquisition problems which have plagued DOD for many years.

These problems are:

The need for a system was not sufficiently established or did not receive high visibility before the procurement was begun and became an issue only after substantial resources were invested.

The tendency to develop specific system designs in-house, thereby forfeiting meaningful competition and the benefit of a wide range of alternative concepts, designs, technologies, and costs.

The tendency to rely on "paper proposal" rather than on operational demonstrations to prove a system's worth.

A vast network of decisionmaking and diffusion of responsibility; thus an absence of accountability in both industry and government.

These deficiencies have led to delays, cost overruns, and nonfunctioning systems which have become to common in DOD acquisitions. A-109 was designed to overcome these problems by requiring agencies to define and analyze their mission, and to institute long range planning prior to initiating a major procurement action. The mission analysis is based on identifying capabilities, priorities, and resources and permits identifying system needs as early as possible. After this mission-oriented planning is completed, emphasis is placed on high visibility, strong program management, and reliance on the private sector for competitive system designs.

The implications of A-109 go far beyond the acquisition of an individual defense weapon. They extend to the agency's ability to manage its mission performance and respond to a changing environment. This is especially critical in national defense matters. Further, A-109 operates primarily on a competitive acquisition strategy tailored to the particular system acquisition. A major change in acquisition policy could only be in one direction, to a noncompetitive strategy and we already have too many of those in DOD.

As stated earlier, the principal for challenging A-109 at this time is alleged additional time. While the circular does urge additional time and money at the beginning to achieve a fully operational system quicker at the end, the real delays in DOD have two things in common:

Tiers upon tiers and layer upon layer of review and decisionmaking which approaches 100 to obtain one decision.

A super decision level at the very top of the department which is duplicated in each of the military services and have cascaded down through the department and services. This super decision process referred to as DSARC was neither invented or advocated by A-109 and was supposed to have been a temporary mechanism set up in late 1960's. We understand that the department is now streamlining its management structure. And, as a matter of fact, the management structure section in A-109 urged that this be done long ago.

Further, the committee understands that a Rand study made last year did not attribute defense weapons systems delays to A-109 but rather to be administrative decision structure noted above and insufficient funding.

It is important to the success of A-109 policy guidelines that a sufficient investment of time and money be made in both early agency mission planning and creative industry design efforts. Defense must begin to make these early investments called for under A-109 if it wishes to acquire needed system capabilities at less cost and in a much shorter time than heretofore. Rather than seek an exemption to sound policy guidance, DOD should be devoting its energies to correcting the internal management and planning problems which have undermined its major system acquisitions.

Finally, the committee understands that OMB is open to changes in A-109 if legitimate problems can be traced to its use. This approach is far more preferable than outright abandonment of the policy which would only serve to reduce competition and innovation and greatly increase cost to the taxpayer.

I. Investigations

A. INVESTIGATIONS RESULTING IN FORMAL REPORTS

LEGISLATION AND NATIONAL SECURITY SUBCOMMITTEE

1. "The Implementation of the NATO Long-Term Defense Program (LTDP)," House Report No. 97-37, May 14, 1981, First Report by the Committee on Government Operations.

a. Summary.—This report is based on a review of the implementation of NATO's Long-Term Defense Program (LTDP) adopted by the alliance in May of 1978. Of the ten specific military improvement categories within the LTDP, the report focuses on four conventional force improvement areas including readiness, reinforcement, reserve mobilization, and maritime posture. These areas were chosen because they present a cross section of the most important aspects of the program, and together they present some of the important defense measures being taken to improve the general military posture of the alliance.

The study revealed that overall progress in implementing the LTDP has been slow and in some cases disappointing. Where there has been progress, it has generally occurred in low-cost nonprocurement areas. The report points out that nations are quick to study problems and develop standards and plans, but are slower to actually procure the hardware specified.

Specific defense improvement measures that impinge on national prerogatives, require new equipment buys, increase training hours, or change national policies or programs have met with little success.

The report recommended that the DOD review the LTDP with the goal of reducing the number of specific defense improvement measures to those that are the most important, and to insure that those measures will in fact be implemented. The report recommended that the U.S. encourage NATO to develop more specific baselines of accountability for the specific LTDP measures. Finally, the report recommends that the U.S. exert its influence to persuade our allies to fulfill or exceed their 1978 agreements to aim at a three percent real increase in defense spending.

b. Benefits.—The report provides a timely examination of the progress of the member nations of the NATO alliance in fulfilling their commitments to the specific defense improvement measures contained in the LTDP. The recommendations made in the report, if actively pursued by the DOD and the Department of State, should help to insure that the most significant defense improvement steps in the LTDP are implemented.

c. Hearings.—A hearing was held on August 20, 1980. The transcript will not be printed.

2. "DOD's Failure To Recover Nonrecurring Research, Development, and Production Costs on Foreign Military Sales," House Report No. 97-214, July 31, 1981, Seventh Report by the Committee On Government Operations.

a. Summary.—The subcommittee reviewed certain management practices in the Department of Defense's foreign military sales program. It found that DOD has been subsidizing foreign governments under the military sales program by absorbing many millions of dollars in costs that should have been recovered from those foreign governments.

Audit coverage of the foreign military sales program is extremely limited. As a result, the ineffective implementation of pricing policies has the effect of subsidizing foreign governments.

The subcommittee found that DOD has routinely waived almost $1 billion in nonrecurring charges without determining whether the sale would significantly enhance U.S. interests in NATO weapon standardization. A recommendation made in the report includes the establishment of two sets of criteria by DOD—for major and nonmajor defense equipment—to assess whether reductions or waivers of nonrecurring charges are justified.

b. Benefits.—By implementing proper pricing policies, the Army will be able to recoup a pro rata share of the more than $700 million on future sales and an additional $2.8 million identified in audit reports. By correcting underpricing on past and pending sales, retroactive billings will yield approximately $16 million.

c. Hearings.—A hearing was held on May 6, 1981. The transcript has been printed.

3. "The Effect of Inaccurate Inflation Projections on Department of Defense Budgets," House Report No. 97-278, October 20, 1981, Tenth Report by the Committee on Government Operations.

a. Summary.—This report reviews the development, use and validity of inflation rates developed primarily by OMB and used by the DOD in projecting future defense costs. Over the past decade inflation estimates used in budgeting for the DOD have been consistently low. This is due to the fact that inflation rates used in estimating DOD costs have been lower than the inflation actually experienced. DOD has estimated that approximately 30 percent of major weapons systems cost overruns are the result of low inflation projections.

OMB develops inflation projections for the general economy, and uses these same rates to apply to DOD purchases. Each year, however, the costs of DOD's purchases have inflated at a rate higher than that experienced by the general economy.

The Reagan Administration has evidenced its intention to spend approximately $1.6 trillion for DOD over the next 5 years. The Administration's economic recovery plan includes predictions of greatly reduced inflation during this period. If past history is any guide, these predictions will probably prove overly optimistic. That likelihood is even greater as those same predictions are applied to DOD.

The report recommends that OMB develop a separate inflation prediction for use as a management tool for DOD budgets. In addition, the report recommends that the Secretaries of Defense and

Commerce and the Director of OMB develop the specific inflation rates which occur within defense industries. These factors should be applied to the separate accounts of the DOD when their use would result in more accurate cost estimates.

b. Benefits.—The report demonstrates that the inflation estimates applied to DOD budgets over the past decade have been consistently less than the inflation actually experienced.

The recommendation, if followed, would provide the Congress with more reasonable future inflation factors, and would significantly increase the accuracy of DOD budget requests.

c. Hearings.—Hearings were held on April 2 and 7, 1981. The transcript has been printed.

4. "Continued Failure of Departments and Agencies To Take Effective Action on Audit Findings," House Report No. 97-279, October 20, 1981, Eleventh Report by the Committee on Government Operations.

a. Summary.—This report is a result of a followup study on the executive departments' and agencies' progress in improving their audit resolution systems. An earlier study of this subject was reported on June 18, 1979. This report is based on a study and hearings and a review performed by the General Accounting Office.

The study revealed that resolution of audit findings in the Federal Government is still ineffective and untimely. As a result, the Government is not realizing substantial sums of refunds and other savings. The ineffectiveness and untimeliness which is descriptive of the resolution of audit findings in the Federal Government is the result of: (1) agencies still not properly tracking or reporting their audit findings; (2) the low priority given audit resolution in many agencies, in that management is not fully accountable and committed to effective and timely audit resolution; and (3) OMB's failure to develop clear and complete policy guidance on resolving audit findings.

In the report the committee addressed several recommendations to the Director of the Office of Management and Budget. Among these were: (1) that the Director emphasize through policy guidance that top management endorse and promote effective audit resolution; (2) that the Director formulate and implement specific guidance for resolution of contract proposal and regulatory audits, and assure that this guidance is consistently applied in the Department of Defense and the civil agencies; (3) that the Director require that agency audit systems and major revisions to those systems be reviewed and approved by OMB; and (4) that the Director report to the committee, following review and submission of the budgets to Congress for fiscal years 1983 and 1984, on OMB's oversight of agency audit resolution practices, including instances in which agency budget allowances were adjusted by amounts corresponding to unresolved audit findings. Other recommendations required action be taken by the Secretary of Defense and the Director of the Office of Personnel Management. The subcommittee plans to continue to monitor this area.

b. Benefits.—Potential exists for significant savings from steps taken by the Office of Management and Budget, the Office of Personnel Management and the Department of Defense. In 1978, GAO identified $4.3 billion in unresolved findings at 34 agencies involving potential recoveries, penalties, revenues, or savings. GAO reported that as of July 1980 there are $14.3 billion in unresolved monetary findings at these agencies. The number of open audit reports in the Federal Government and the amount of improper expenditures that should be recovered is dramatically increasing. The amount of recovery, however, is still unknown because of ineffective and untimely resolution of audit findings.

c. Hearings.—Hearings were held on February 25, June 16, and July 23, 1981. The transcript has been printed.

5. "Administration of Shared Support Services for U.S. Agencies Overseas," House Report No. 97-380, December 10, 1981, Thirteenth Report of the Committee on Government Operations.

a. Summary.—Agencies of the U.S. Government, having assigned personnel to offices overseas, continue to duplicate administrative services which could be provided by the Department of State or consolidated with other agencies, despite a 1979 presidential directive to consolidate where savings in personnel or funds would result. Over 42 agencies assign personnel overseas. For several years these agencies have voluntarily consolidated some services. However, a study conducted by the General Accounting Office found that at 12 of the 15 posts the GAO visited, agencies other than the Department of State maintained 800 administrative positions with annual salaries of about $8 million. Hearings disclosed that additional services could be performed for other agencies by the Department of State which maintains administrative offices and personnel overseas to service its 263 diplomatic missions abroad.

During subcommittee hearings agencies voiced numerous concerns with respect to the consolidation of additional administrative services, ranging from insufficient Department of State personnel to adequately meet agency needs to Department of State personnel's lack of knowledge of and respect for agency mandates. The agencies would prefer to maintain control over funds and administrative personnel because, at times, the agencies have not received maximum value for agency funds paid to the Department of State.

The committee report listed several recommendations based on the committee findings. One recommendation is that the Inter-Agency Council for Administrative Support redirect its focus from arbitration to a more active role in management, oversight and improvement of the shared support system.

b. Benefits.—Although it is not possible to estimate the dollar savings if duplication is eliminated and maximum consolidation is pursued, the potential for savings is significant. In addition, indirect benefits are possible through increased efficiency and improved morale.

c. Hearings.—Hearings were held on June 22 and 24, 1981. The transcript has been printed.

6. "Inadequate Control Over Government Material Furnished to Contractors," House Report No. 97-381, December 10, 1981, Fourteenth Report by the Committee on Government Operations.

a. Summary.—The subcommittee undertook an oversight review of the billions of dollars worth of Government-furnished material (GFM) that the Department of Defense provides to its contractors free of charge. The subcommittee found that the material is being furnished without adequate accounting controls, which has led to widespread and costly abuses.

The review also revealed that millions of dollars worth of material has either been sold back to DOD, used on commercial work, or issued in excess of contractual needs and not returned. These deficiencies have been identified by GAO and DOD audits for over a decade, yet DOD has been slow to institute improvements.

DOD recognizes that there has been unauthorized access by contractors to the DOD supply system, misuse of materials, and other losses, because of a less than satisfactory system of control and accountability over these materials. The committee viewed as unacceptable DOD's practices of total reliance on the contractors' records to account for this material. The committee recommends that independent DOD records be established to verify the contractors' records and the access to the DOD supply system by contractors be controlled.

b. Benefits.—As of September 30, 1981, DOD estimated that the value of GFM in the possession of contractors was $11.2 billion. DOD does not know the precise figure due to a lack of overall management or financial systems to account for GFM. Opportunities for waste, theft, and mismanagement of materials will continue to exist unless accounting controls are established. DOD and GAO auditors determined that at least $31 million could be saved if their recommendations for providing proper accounting controls were adopted. It is hoped that the committee's interest will move the DOD to take expeditious action to implement proper accounting controls over this material.

c. Hearings.—A hearing was held on October 1, 1981. The transcript has been printed.

7. "NORAD Computer Systems Are Dangerously Obsolete," House Report No. 97-449, March 8, 1982, Twenty-third Report by the Committee on Government Operations.

a. Summary.—Beginning in October of 1979, a series of computer failures occurred at the North American Air Defense Command's (NORAD) missile warning center at Cheyenne Mountain, Colorado. These highly publicized failures led to our nation's strategic forces being placed unnecessarily on alert and caused many to question the credibility of our country's premier missile warning and attack center. Concern was also raised by Congress and the public that such failures could have far-reaching and catastrophic consequences, particularly in the age of nuclear confrontation. The reassurances coming from our military leaders that these events were isolated cases and the situation was under control did little to allay the deep concern expressed throughout the country.

Consequently, investigations were initiated by both the Congress and the Defense Department leading to the conclusion that the false alerts were a result of certain components of NORAD's computers. In one investigation done by the Senate Armed Services Committee in October 1980, the Federal acquisition process was alluded to as the reason that the false alerts occurred. They found that the computers used were not the most up to date and the lengthy acquisition cycle for ADP procurements was a major cause for NORAD's current obsolete computers.

Because of concern over the impact these false alerts may have on our nation's security and since the Government Operations Committee has jurisdiction over Federal computer acquisitions, Chairman Brooks requested in December 1980 that the GAO undertake an immediate and thorough investigation into the computer systems at the NORAD missile warning center. The Chairman requested that GAO specifically review NORAD's acquisition and use of ADP and telecommunications to determine what corrective actions are needed to insure that these failures do not recur.

During hearings held on May 19 and 20, 1981, the GAO testified that the Federal acquisition process governed by Public Law 89-306 was in no way responsible for the false alerts at the NORAD facility. Further, the subcommittee found that the NORAD facility has been mismanaged over the last decade by the Air Force, the Joint Chiefs of Staff and the Department of Defense resulting in obsolete computer systems which do not satisfy the requirements of NORAD's sensitive mission. These obsolete systems, coupled with highly questionable management practices, were directly responsible for many of the false alerts that began in October 1979.

NORAD's current obsolete computer systems are a result of a modernization program which began in 1966. By May of 1981, it was more than 6 years behind schedule and about $150 million over budget. More importantly, the system only has an information processing capability of the 1966 system it replaces. The Acting Comptroller General testified before this committee that the problems at NORAD had reached a critical stage and that priority attention was needed at the highest levels of the Defense Department.

b. Benefits.—The severe and potentially catastrophic deficiencies found in the nation's attack warning system were a result of mismangement within the Air Force and the Joint Chiefs of Staff. Continued indifference by the highest levels with the Department of Defense to the massive and debilitating failures in systems development projects can only perpetuate the mistakes made in the last decade and may undermine any chance that an effective attack warning or command and communication system will be installed even by 1990.

The failure of the NORAD modernization program and the past mismanagement of the NORAD facility culminating in the false alerts underscore the ADP management failures that have occurred almost routinely throughout DOD during the 1970's. The Department's attempts to develop large scale systems development projects are habitually plagued by excessive cost overruns, schedule slippages and unacceptable performance levels. These projects are characterized by poor planning, fragmented management, and a lack of accountability and leadership.

The recommendations contained in the report would go a long way in correcting the deficiencies the committee found during the hearings and greatly improve DOD's ability to meet its critical defense missions.

c. *Hearings.*—Hearings were held May 19 and 20, 1981. The transcript has been printed.

8."Defense Department's Failure To Properly Manage Conventional Ammunition," House Report No. 97-455, March 10, 1982, Twenty-fourth Report by the Committee on Government Operations.

a. *Summary.*—The subcommittee undertook an oversight study of the management of conventional ammunition by the Department of Defense and the military services. Among other things, the study revealed that conventional ammunition management remains fragmented among the three military services. During previous military conflicts, ammunition management was centralized to assure that DOD would have information on ammunition production and inventories to meet the critical demands of war. Following the Vietnam conflict, ammunition management was given back to the military services.

After several years of study, the DOD decided to centralize ammunition management under the Army by fiscal year 1979. Unfortunately, movement toward centralization has been stalled due to the opposition of the Air Force and the Navy.

The services experience serious problems with the care and maintenance of their ammunition. Due to underfunding by Army officials, the Army has an unmanageable backlog of conventional ammunition needing renovation; almost one-third of the Navy's $6.7 billion ammunition inventory is unserviceable; and the Air Force has accumultated a 1- to 3-year backlog of ammunition needing maintenance.

The military services' inaccurate accounting records lead to inaccurate ammunition inventory information. For example, the Navy's records in April 1980 were adjusted downward by $46 million in order to coincide with that of the Army single manager.

b. *Benefits.*—Centralized management of conventional ammunition should enhance military readiness by improving DOD-wide logistics support in the event of war. The Army single manager reported cost savings of about $400 million as a result of his efforts to reallocate excess ammunition, consolidate production, and use more economical transportation. However, additional millions of dollars remain to be saved by installing a single manager system capable of providing intensive management. Also, $33 million could be saved during fiscal year 1982 through fiscal year 1986 if DOD adopted less expensive packaging for its training ammunition.

c. *Hearings.*—A hearing was held on November 18, 1981. The transcript has been printed.

9. "Failure of Federal Departments and Agencies To Collect Audit-Related Debts," House Report No. 97-727, August 12, 1982, Twenty-fifth Report by the Committee on Government Operations.

a. Summary.—This report describes the results of a study by the subcommittee on the effectiveness of Federal departments' and agencies' efforts to collect debts resulting from audits. The report is based on hearings conducted by the subcommittee and a review performed by the General Accounting Office.

As a result of the concern expressed during hearings about the final step in the audit resolution process—the actual recovery of disallowed costs—the subcommittee asked GAO to evaluate how departments and agencies collect these audit-related debts.

The review disclosed that, despite existing legislation and OMB regulations requiring executive agencies to aggressively pursue collection of all debts arising from audit disallowances and to establish and maintain systems of accounting and internal control over the collection of such debts, Federal agencies are doing such a poor job of accounting for audit-related debts that the total amount due the Government from audit findings cannot be determined. The small portion that can be identified remains uncollected for years because Federal agencies fail to take aggressive action. Federal agencies lack collection systems which would insure that audit-related debts are carefully controlled and aggressively pursued.

In the report the committee acknowledges OMB's efforts to revise its policy guidance on audit-related debt collection. OMB Circular A-73, which provides policies to be followed in the audit of Federal operations and programs, is applicable to all agencies of the executive branch. At the time of the report the provisions on audit followup and resolution were being removed from A-73 and incorporated into Circular A-50, which has been OMB's guidance for executive branch action on GAO reports. The revised circular was issued on September 29, 1982. The report contains several recommendations concerning the circular requirements that would provide needed clarification of the accounting and collection controls over amounts due the Government as a result of audits. The committee also recommends that Circular A-50 provide clear guidance for the processing of audit disallowance appeals, upholding the basic right yet providing disincentives for groundless appeals, and that interest be accrued during that appeal process. Finally, the committee recommends that the circular establish controls to assure that the collection of disallowed costs from grantees not reduce the level of benefits of the Federal program.

b. Benefits.—Potential exists for the collection of significant amounts due the Government from audit-related debts. In testimony before the subcommittee on February 24, 1982, Comptroller General Bowsher discussed the magnitude of audit-related debts, and stated in part, "Federal departments and agencies reported to us a total of $374 million in outstanding audit-related debts as of June 30, 1981. However, we believe this amount to be understated because many Federal agencies did not provide us with the amount of their audit-related debts and because of the widespread lack of adequate systems to control these debts."

c. Hearings.—A hearing was held on February 24, 1982. The transcript has been printed.

10. "Failure of the Air Force and Navy To Develop Common Radar Warning Receivers Is Costly," House Report No. 97-728, August 12, 1982, Twenty-sixth Report by the Committee on Government Operations.

a. Summary.—The Air Force and the Navy are not complying with congressional intent to use common radar warning receivers. Specifically, the Navy and the Air Force plan to acquire from the same contractor different radar warning receivers for their tactical aircraft at a cost through production exceeding $1.7 billion. A radar warning receiver (RWR) alerts the pilot that his aircraft is being tracked by enemy radar.

In response to congressional concern with the proliferation of defense systems, the Office of the Secretary of Defense (OSD) recognized in 1980 that the operational requirements for these receivers were virtually identical and instructed the two services to establish a joint acquisition program. This did not happen. The lack of commonality between the ALR-67 and the ALR-74 has come about primarily because of (1) service disagreements on the future availability of technology and the precise nature of the enemy threat and (2) service parochialism as evidenced by noncompliance with OSD guidance designed to achieve commonality and their refusal to sign a memorandum of agreement establishing a joint radar receiver office. The Office of the Secretary of Defense, in apparent retreat from its 1980 position, joined the Navy and the Air Force in arguing during the hearing that (1) the ALR-67 and the ALR-67/69 update (now called ALR-74) were not intended to be highly common and (2) the cost of modifying the aircraft using this receiver exceeds the benefits of stopping the ALR-67 and ALR-74 programs to achieve more commonality now. Nevertheless, evidence shows that continued proliferation of radar warning receivers, with duplication of costs for development, modification, testing, and support activities, has resulted in millions of dollars being wasted.

The report recommends that the Secretary of Defense commit efforts to the development of common radar warning receivers and end funding for separate development of ALR-67/69 update receivers.

b. Benefits.—Development of a common RWR will save hundreds of millions of dollars by avoiding separate research, development and production costs. Also, savings will be realized through common logistical support systems.

c. Hearings.—A hearing was held on June 15, 1982. The transcript has been printed.

11. "DOD Wastes Hundreds of Millions of Dollars by Duplicating Base Support Services," House Report No. 97-729, August 12, 1982, Twenty-seventh Report by the Committee on Government Operations.

a. Summary.—The subcommittee examined the management of base support services, which is costing the Government more than $18 billion annually and involves about one-half million people. These services include housekeeping functions such as payroll, supply, transportation, and other general support activities. Despite 10 years of effort within DOD to eliminate duplicate base support services, significant opportunities to reduce duplicative and costly base support services still exist. Duplications are not being eliminated due to DOD unwillingness to direct the military services to consolidate base support services.

b. Benefits.—Consolidation of base support services could save hundreds of millions of dollars. Based on this report, the Conference Committee deleted $60 million from the fiscal year 1983 Defense Authorization Bill because savings should result from improved base operations management. In view of the $1.6 trillion Defense budget for the next five years, DOD should fully explore opportunities for additional savings.

c. Hearings.—A hearing was held on June 22, 1982. The transcript has been printed.

12. "Mismanagement of SSA's Computer Systems Threatens Social Security Programs," House Report No. 97-900, September 30, 1982, Thirty-third Report by the Committee on Government Operations.

a. Summary.—The data processing operations at the Social Security Administration (SSA) are one of the largest in the world. Records are maintained on over 200 million Americans and monthly benefits are paid to over 36 million people. This system which began as a paper operation over 40 years ago evolved into a complex system of sophisticated machines and complicated computer programs supported by highly trained professional and technical staff. During the late 1950's and early 1960's, SSA's computer operations stood as a model of efficiency and economy. However, over the last 10 to 15 years, SSA has not kept up with the rapidly advancing technology. Virtually every phase of its operations are suffering from serious deficiencies, including obsolete computer programs, poorly trained personnel and poor computer security.

The Social Security Administration recognized in the early 1970's that they were in trouble and frantically tried to find ways to correct their problems. After several false starts, the agency is now facing a situation where drastic action has to be taken to avoid an impending disaster.

Evidence was presented during hearings held by the subcommittee which clearly showed that the steady deterioration in the operation and management of SSA's computer system resources had reached a crisis point. The computer systems were teetering on the brink of disaster. Any one of several existing weaknesses could easily upset this delicate balance. In the meantime, system performance, reliability, and responsiveness would continue to degrade. This is particularly evident in SSA's failure to properly credit $67 billion in earnings to individual accounts.

b. Benefits.—Unless decisive action is taken to correct the deficiencies plaguing virtually every phase of its ADP operations, the Social Security Administration is heading for a day when it simply will not be able to get out the checks. This, of course, will have a decided impact on millions of Americans.

As a result of these hearings, the Commissioner of SSA agreed to place top priority in resolving the many problems facing the agency which SSA has long avoided. Additionally, the subcommittee's efforts to date have resulted in more than 250 needless and wasteful procurements being canceled at an estimated savings of $75 million.

The recommendations made in the report call for the Secretary of HHS to address the extensive management, operational and security problems plaguing SSA. If properly implemented, these recommendations could be the impetus that SSA needs to avoid its current crisis and modernize its archaic computer operations.

c. Hearings.—A hearing was held on September 23, 1981. The transcript has been printed.

13. "Reorganization and Budget Cutbacks May Jeopardize the Future of the Nation's Statistical System," House Report No. 97-901, September 30, 1982, Thirty-fourth Report by the Committee on Government Operations.

a. Summary.—The subcommittee reviewed the impact that recent budget cuts and changes in the organizational structure of the OMB had on the nation's statistical system.

It found that: (1) despite the increasing reliance of all sectors of society on statistical data, the past decade has witnessed an alarming decrease in the resources devoted to overseeing Federal statistical activities; (2) the absence of a professionally qualified individual heading an adequately staffed unit focusing exclusively on statistical matters requires that increased scrutiny be given by Congress to OMB's development and implementation of Federal statistical policy and to insuring the continued integrity of the Federal statistical system; and (3) the merger of the statistical policy function with the other regulatory and information management responsibilities raises serious questions as to the ability of OMB to discharge its statistical policy obligations under the Paperwork Reduction Act of 1980.

The subcommittee made 5 recommendations to the Director of the OMB that were specifically designed to prevent the deterioration of the nation's statistical system.

b. Benefits.—Since the issuance of the committee's report, several important statistical programs that had been eliminated have been reinstated. Steps have also been taken by OMB to review the budgets of statistical programs to assure that vital statistical activities are not cavalierly victimized by budget cuts. The committee is presently awaiting action on its other recommendations.

c. Hearings.—A hearing was held on June 3, 1982. The transcript has been printed.

INTERGOVERNMENTAL RELATIONS AND HUMAN RESOURCES SUBCOMMITTEE

1. "Statutory Offices of Inspector General (Leadership and Resources)," House Report No. 97-211, July 30, 1981, Sixth Report by the Committee on Government Operations, Together With Additional Views.

a. Summary.—Between 1976 and 1980, 15 statutory Offices of Inspector General were established under legislation initiated by the Committee on Government Operations; a sixteenth was created under similar legislation reported out by another committee. During the 97th Congress, two additional statutory Inspectors General were established and one such office was discontinued because of the demise of the Community Services Administration.

During the 96th Congress, the Intergovernmental Relations and Human Resources Subcommittee began a continuing oversight review of the laws establishing statutory Offices of Inspector General and the operations and activities being conducted pursuant to such laws. This report, which is concerned primarily with problems relating to leadership and resources, describes significant findings of the subcommittee's review.

The Inspector General concept came into being in 1962, after a subcommittee investigation of the activities of Billie Sol Estes disclosed that audit and investigative activities of the Department of Agriculture were being conducted by a number of separate and uncoordinated units which reported to officials directly responsible for the programs being reviewed. Disclosure of these organizational and procedural deficiencies led to consolidation by then Secretary of Agriculture Freeman of USDA auditing and investigative responsibilities under a single high-level official reporting directly to the Secretary.

A 1974-1975 subcommittee investigation found that units responsible for combating fraud and abuse in programs of the Department of Health, Education, and Welfare were scattered throughout the Department in a haphazard and fragmented pattern, with no single unit having the overall responsibility and authority necessary to provide effective leadership. Moreover, although HEW then had more than 129,000 employees and was responsible for the expenditure of well over $100 billion annually, its central investigative unit had only ten investigators with a ten-year backlog of uninvestigated cases.

That investigation—together with the 1974 abolition of the Department of Agriculture's nonstatutory Office of Inspector General—resulted in the establishment in 1976 of the first statutory Inspector General at HEW. A second statutory Office of Inspector General was created at the Department of Energy when that Department was formed in 1977.

Comprehensive hearings in 1977 on the desirability of establishing additional statutory Inspectors General disclosed serious deficiencies in the auditing and investigative organization and procedures of practically every agency reviewed, such as:

Multiple audit or investigative units within a single agency, organized in fragmented fashion and without effective central leadership;

Auditors and investigators reporting to officials who were responsible for the programs under review or were devoting only a fraction of their time to audit and investigative responsibilities;

Instances in which, because of lack of independence, investigators had been kept from looking into suspected irregularities, or even ordered to discontinue an ongoing investigation;

There were no procedures to insure that Congress was informed of serious problems disclosed by agency audits and investigations, and there was evidence that agency officials frequently ignored audit recommendations.

Because of inadequate resources, some departments and agencies had audit cycles ranging form 9 to 10 years to as long as 20 years. Some activities had never been audited. One department had only six trained investigators to look into irregularities in the expenditure of approximately $25 billion annually.

Although HEW opposed the action, the first statutory Office of Inspector General at that department was approved by Congress without a dissenting vote.

Despite strong initial opposition from the Office of Management and Budget, the Justice Department and every department and agency affected, legislation to establish statutory Offices of Inspector General in twelve additional establishments was approved by the House by a vote of 388 to 6 and became Public Law 95-452, the Inspector General Act of 1978.

A statutory Inspector General with the same powers and duties as those created under the 1978 law was established in 1979 as a part of the new Department of Education. A sixteenth statutory Inspector General with substantially the same powers and duties as the others was created in the Department of State under the Foreign Service Act of 1980.

Further legislation to include the Departments of Defense, Justice and Treasury and the Agency for International Development under the provisions of the Inspector General Act of 1978 was approved by the House in May 1981 by a vote of 334 to 65—over the opposition of the Departments of Defense and Justice—but was not acted on by the Senate.

However, separate legislation to establish statutory Inspectors General in two of these agencies was approved. The International Security and Development Cooperation Act of 1981 provided for an Inspector General at the Agency for International Development. A statutory Office of Inspector General at the Department of Defense was established in 1982 as part of the DOD Authorization Act for 1983.

Although there are minor differences in some provisions of the laws establishing statutory Offices of Inspector General, all of the Offices have the same fundamental characteristics. Overall responsibility for coordination and leadership of auditing and investigative responsibilities is assigned to a single individual with no program responsibilities who is responsible for giving undivided attention to the promotion of economy and efficiency and the prevention and detection of fraud and abuse. Inspectors General are appointed by the President and are required to report to both their agency head and the Congress on significant problems, abuses or deficiencies and the progress of corrective action concerning them. The laws give Inspectors General broad authority to conduct audits and investigations and to obtain information necessary for this purpose.

Unlike most Presidential appointees, statutory Inspectors General are required to be appointed without regard to political affiliation on the basis of integrity and professional qualifications and are prohibited from engaging in partisan political activity.

An Inspector General cannot be removed from office by the agency head. If an Inspector General is removed by the President, the law requires that the President communicate the reasons for any such removal to both Houses of Congress.

Although it had been opposed by his cabinet members and agency heads, President Carter eventually supported enactment of the Inspector General Act of 1978 and made a number of public statements praising the new law. The Office of Management and Budget, which had strongly opposed the IG legislation, described the 1978 Act in 1980 as "landmark legislation that warrants full and active support of all three branches of government."

In most instances, President Carter promptly nominated experienced career employees to fill the newly-authorized IG positions. In three cases, however, long delays occurred. Two vacancies which happened months before the end of the Carter administration were not filled.

Some progress was made during the Carter administration in alleviating serious deficiencies in auditing and investigative resources disclosed during the subcommittee's 1977 hearings; much of it occurred as a result of Congressional initiatives rather than administration requests. However, severe shortages remained at some agencies and the situation was aggravated by a partial hiring freeze imposed by OMB early in 1980.

During the campaign and after being elected, President Reagan emphasized his concern about the magnitude of fraud and waste in Federal programs and the urgent need for corrective action. However, on Inauguration Day, the President imposed a freeze on hiring by Inspectors General which was even stricter than the partial one previously imposed under the Carter Administration. In a second action on the same day, the President summarily removed all incumbent Inspectors General without notice or specific reason.

On January 23, 1981, the subcommittee chairman wrote the President to express concern about the mass removal of all incumbent Inspectors General and the impact of this action on the operations of their offices. The chairman also called attention to the lack of adequate resources in many IG offices and urged the appointment or reappointment of qualified Inspectors General at the earliest possible date.

A subsequent subcommittee investigation and hearings found that the mass removal of IG's had been undertaken without notice to or consultation with Members of Congress of either party or any of the individuals designated to head the affected agencies. The subcommittee also found that no meaningful review of the individual qualifications and performance of the incumbent Inspectors General was made before they were removed; inquiries made immediately afterward, according to an Administration witness, produced a very clear consensus that "approximately half of the Inspectors General had done a truly outstanding job, were highly qualified and highly professional. . . ."

In its unanimous report endorsing the subcommittee's findings, the committee concluded that the mass removal of all incumbent Inspectors General on January 20, 1981, "was not in accordance with the intent of the laws authorizing these offices" and "created widespread concern that it was the first step in an effort to 'politicize' " the IG offices. The committee further concluded that the removals had serious adverse effects on the operations of the offices because of confusion, uncertainty and loss of permanent leadership during the nearly six months that most IG positions were vacant.

The IG positions might well have remained vacant for an even longer time if the subcommittee had not scheduled a hearing concerning the slow pace at which nominations were being sent to the Senate for confirmation. On May 22, 1981, when the Administration was notified the hearing would be scheduled, only three nominations had been submitted for the sixteen vacant IG positions; by June 10, when the hearing was held, twelve more nominations had been sent forward.

Six former Inspectors General were reappointed. The other nominees as a group appear to have excellent qualifications and experience.

The committee further concluded that staffing and other resources available to the statutory Offices of Inspector General were grossly inadequate.

The sixteen statutory Offices of Inspector General in existence at the time of the subcommittee's report were responsible for monitoring the expenditure of around $400 billion annually in public funds. Yet the total staffing for all sixteen offices was substantially less than 5,500 persons. By comparison, the Department of Defense had more than 18,000 auditors, investigators and inspectors and the Federal Bureau of Investigation employed nearly 20,000 people. The Los Angeles County Sheriff alone had far more employees than all sixteen statutory Offices of Inspector General combined.

Some IG offices had particularly serious problems. The Environmental Protection Agency had only ten investigators with a five-year backlog of uncompleted work to look into fraud, waste and abuse in 12,000 water pollution control grants totaling $29 billion. The Commerce Department Office of Inspector General had such limited resources that there was a 36-year audit cycle for management audits. In order to monitor the CETA program, the Labor Department OIG had to practically ignore a number of other large programs which were exceptionally vulnerable to fraud, waste and abuse.

The inadequacy of OIG resources was particularly ironic and indefensible in the light of strong evidence that additional personnel for these offices would return far more in savings and recoveries than the cost of hiring and supporting such personnel.

b. Benefits.—Prompt action by the committee clearly demonstrated that the mass removal of the Inspectors General was not in accordance with the intent of the authorizing legislation that Inspectors General be chosen and serve on a nonpartisan, professional basis, and lessened the likelihood of a similar occurrence in the future.

The bipartisan efforts of the committee and its members undoubtedly contributed significantly to the reappointment of six former Inspectors General and the appointment of new IG's with excellent experience and qualifications. Moreover, although the IG positions were vacant for an extended period, it is likely that the vacancies would have remained unfilled far longer without the committee's efforts.

The subcommittee inquiry documented serious inadequacies in the resources available to some IG offices and made clear that such deficiencies result in a net cost to the taxpayers since IG auditors and investigators save or recover far more than it costs to hire and support them. Although the level of resources provided for these offices is still far from adequate, badly needed additional personnel were provided for some offices and others escaped substantial reductions which might otherwise have occurred.

The subcommittee chairman wrote to the President on October 7, 1981, to protest a proposed 12-percent cut in the budgets of all IG Offices with separate budget line items in the September 30, 1981, budget message. The proposed reduction was not implemented.

c. *Hearings.*—Hearings were held on April 1 and June 10, 1981. The hearing transcripts have been printed.

2. "Improving the Financial Management and Auditing of Federal Assistance Programs: The 'Single Audit' Concept," House Report No. 97-917, October 1, 1982, Thirty-eighth Report by the Committee on Government Operations, Together With Additional Views.

a. *Summary.*—This report is based on the subcommittee's evaluation of the "single audit" process prescribed by the Office of Management and Budget in Attachment P to Circular A-102, entitled "Uniform Requirements for Assistance to State and Local Governments."

The Federal Government relies on auditing as one of the principal means of insuring accountability in the use of Federal grants received by State and local governments. The need for sound financial management of these programs is underscored by the tremendous growth in the Federal grant-in-aid system over the past two decades—from approximately 132 programs costing $7 billion in 1960, to almost 500 programs at a cost of nearly $91.5 billion in 1980. Yet, despite the importance of auditing as a management tool, a report issued by the Government Operations Committee in 1979 (House Report 96-580) found serious flaws in the grant-by-grant approach which has traditionally been used to audit Federal grant programs. The report concluded that the auditing of individual grants is uncoordinated, inefficient and ineffective. The committee therefore recommended the adoption of a "single audit" approach relying on organizationwide audits rather than grant-by-grant reviews. Attachment P to Circular A-102 was issued by the Office of Management and Budget in October 1979 in an effort to implement the committee's recommendations through administrative regulations. Under the provisions of Attachment P, each State and local government and Indian Tribal government receiving Federal assistance is required to provide for a single organizationwide financial and compliance audit of its operations at least once every two years.

On March 31 and April 1, 1982, the subcommittee held hearings to evaluate OMB's implementation of Attachment P to Circular A-102, and to consider legislation that would provide a statutory basis for the single audit process. The subcommittee found that while considerable progress has been made in developing the basic administrative procedures and guidance documents, relatively few single audits have actually been completed, and many problems currently hamper widespread adoption of this method.

The report reaffirms the committee's earlier endorsement of the single audit as a means of achieving more efficient and effective auditing of Federal assistance to State and local governments. However, in light of the many important issues yet to be resolved, it is the committee's view that further experience with Attachment P is desirable before Congress enacts single audit leglislation. The report presents 11 recommendations intended to encourage the Office of Management and Budget, the General Accounting Office and Federal executive branch agencies to take appropriate actions to correct the deficiencies and weaknesses identified by the subcommittee's investigation.

b. Benefits.—It is expected that the committee's recommendations, when fully implemented, will result in significant improvements in the operation of the single audit process. Both the Office of Management and Budget and the General Accounting Office have informed the subcommittee of their plans for implementing these recommendations.

c. Hearings.—Hearings were held on March 31 and April 1, 1982. The hearing transcript has been printed.

3. "Management of the End Stage Renal Disease Program," House Report No. 97-918, October 1, 1982, Thirty-ninth Report by the Committee on Government Operations, Together With Additional Views.

a. Summary.—The subcommittee held three days of public hearings to examine the management of the End Stage Renal Disease Program. Enacted in 1972, the End Stage Renal Disease Program extends Medicare coverage to virtually all victims of life threatening kidney disease. While the program has been highly successful in providing life-sustaining services to a great many people who could not otherwise afford them, the $1.5 billion cost of this program, which serves 68,000 persons, has escalated far beyond the level Congress anticipated when it enacted the legislation. Under current policies and procedures, these costs are expected to reach $2.3 billion by 1984.

It was against this background of rapid and continuing expenditure growth that the subcommittee sought to ascertain whether the Health Care Financing Administration (HCFA) within the Department of Health and Human Services has managed the ESRD program efficently and economically. In addition, the subcommittee examined the performance of both the National Institutes of Health and HCFA in developing new, more cost-effective approaches for delivering ESRD services.

Witnesses who participated in the subcommittee hearings included the Inspector General of the Department of Health and Human Services, whose office has closely monitored the ESRD program for the past several years, the Administrator of the Health Care Financing Administration, and the Acting Director of the National Institute of Arthritis, Diabetes, and Digestive and Kidney Diseases of the National Institutes of Health, which has primary responsibility for Federally supported ESRD-related research.

The report found that excessive and improper ESRD expenditures have resulted from deficiencies in program management, and documents HCFA's failure to exercise adequate control over program payments.

Shortly before the subcommittee's hearings, the department proposed new reimbursement rates for dialysis services. While the committee takes no position on what these rates should be, the report is critical of the policies and methods used to establish them. The report recommends that HCFA obtain more reliable information on service costs as a basis for developing fair and reasonable reimbursement rates. Other recommendations for improvements in the management of the ESRD program are directed to the Secretary of Health and Human Services, and recommendations are made to the Ways and Means Committee for amendments to the Social Security Act.

b. Benefits.—Implementation of the committee's recommendations for statutory changes and improved management should produce substantial cost savings without impairing the quality and availability of ESRD services.

c. Hearings.—Hearing were held on February 23 and 24, 1982, and on April 28, 1982. The hearing transcripts have been printed in two volumes.

COMMERCE, CONSUMER, AND MONETARY AFFAIRS SUBCOMMITTEE

1. "Silver Prices and the Adequacy of Federal Actions in the Marketplace," House Report No. 97-395, December 11, 1981, Seventeenth Report by the Committee on Government Operations, Together With Additional Views.

a. Summary.—This report examines the causes and consequences of the dramatic increase in silver prices during 1979, the collapse of the silver markets in March of 1980, the impact of the collapse on the Nation's interrelated financial markets and the Federal response to these events.

The report documents the vulnerability of the silver markets to the designs of large speculators, the fragility and interdependence of the financial markets and the failure of government and private regulatory entities to protect the public against market manipulation and disruption. The report contains a number of specific recommendations designed to prevent a recurrence of the silver debacle and to protect the integrity of the financial markets and those investing in or depending on such markets.

b. Benefits.—The collapse of the silver markets threatened the financial stability of brokerage firms and banking institutions and undermined confidence in the integrity of our financial markets. Moreover, sharp fluctuations in the price of silver during 1979 and 1980 adversely impacted commercial productivity and planning and had a significant inflationary impact on products like film, X-rays, electronic conductors, hearing aid batteries, etc. Many of the problems uncovered by the subcommittee in the silver markets and in Federal supervision of those markets apply, as well, to other financial and commodity markets. In this regard, a number of the subcommittee's recommendations for corrective action have been accomplished: (1) coordination among the Federal financial regulatory agencies has been improved; (2) the CFTC has asked the commodity exchanges to set speculative position limits; (3) Congress has enacted Commodity Tax Straddle legislation to discourage tax-motivated speculation. These changes and others will help prevent a recurrence of the silver debacle. But much more reform is necessary.

The maintenance of free and efficient commodity markets will result in savings of many millions of dollars to producers, processors and consumers of these commodities and to investors as well.

c. *Hearings.*—Hearings were held on March 31; April 14, 15, 29, 30; and May 2 and 22, 1980. Hearings have been printed.

2. "Problems With Small Business Administration Financial Assistance to Franchises," House Report No. 97-916, October 1, 1982, Thirty-seventh Report by the Committee on Government Operations Together With Additional Views.

a. Summary.—This report examined serious deficiences in SBA's operations relative to its franchise loan assistance program. It was based on an April 1980 GAO report, "Small Business Administration Franchise Loans: Risk of Loss Can Be Reduced and Program Effectiveness Improved" (CED-80-47), and an extensive subcommittee investigation.

Between 1969 and early 1981, the SBA made or guaranteed over 18,000 loans to franchise businesses, totaling $1.4 billion. Between 1969 and 1979, franchisees of certain major franchisors—such as Shell Oil, Gulf Oil, Texaco, Subaru, Sheraton Inns, Tastee Freeze, and Mercedes-Benz—had failure rates between 11.6 and 33.3 percent on SBA loans and loan guarantees. The failure rates for lesser-know franchisors—such as American Speed Center, Chicken Delight, Mayflower Transit, El Taco, and Duraclean—varied from 35.7 to 100 percent. This compared with an average failure rate for all franchises ranging from 2 to 6 percent.

The report found:

First, although the law requires SBA to be the lender of last resort, SBA fails to require (a) financially able franchisors and (b) franchisors with high franchisee failure rates on SBA loans and guarantees to coparticipate in loan guarantees or direct loans.

Second, SBA policies and procedures governing franchise assistance treat franchises no differently than independently operated small businesses and fail to recognize the importance of franchisor control. SBA fails to obtain or review important franchise-related documentation, such as the FTC franchise disclosure statements, credit reports on franchisors, franchisee site selection studies, and the basic franchise agreement, all of which directly bear on the franchisee's ability to repay the guaranteed loan. As a result, SBA increases the risk of franchisee failures, subjecting the U.S. Treasury to future unnecessary losses.

Third, the SBA has failed to compile, disseminate to its district offices, and otherwise utilize the failure rates on SBA-assisted franchises. Deprived of this information, SBA district offices make loans to franchises with high failure rates in other SBA districts.

Fourth, SBA does not provide timely or useful management or counseling assistance.

The report made numerous recommendations to correct these problems and to improve SBA's operations. In recognition of the unique character of franchise operations, it recommended the creation of a separate SBA program office at SBA headquarters to handle franchise monitoring and evaluation responsibilities. It also recommended (a) requiring financially able franchisors and franchisors with high default rates to coparticipate in loans and guarantees and (b) greater SBA assistance to franchisees.

b. Benefits.—First, were SBA to fulfill its requirements and also to implement the recommendations on improving its procedures, SBA could significantly minimize the U.S. Government's exposure to liability by screening out potentially risky franchisors and franchisees. This could result in the savings of tens of millions of dollars in the next few years.

c. Hearings.—Hearings were held on May 19 and 20, 1981, and have been printed.

3. "Small Business Administration's Variable Interest Rate and Prime Rate Loan Policies: Negative Impact on Small Business," House Report No. 97-920, October 1, 1982, Fortieth Report by the Committee on Government Operations Together With Dissenting Views.

a. Summary.—This report examined problems caused by SBA's policies governing the interest rates on guaranted loans.

The SBA allows lenders to charge the New York City prime interest rate (adjusted quarterly on variable rate loans), plus a percentage spread of up to 2¾ percent for loans maturing in 7 years or longer. There are no mandated ceilings on variable rate loans, such as those imposed by the Comptroller of the Currency on national banks with respect to home mortgages, to soften the impact of large interest rate fluctuations in any one year.

The report found that these SBA policies have resulted in excessively high interest rates that squeeze profits and jeopardize the well-being of the small business enterprise. For some small businessmen, interest rates on their guaranteed loans had increased from 12 percent to 23½ percent in one quarter, even though 90 percent of the loan was guaranteed by SBA. Because of these policies, small businessmen have defaulted on their guaranteed loans, risking the loss of not only their businesses, but also their homes and other collateral.

The report further cited the concerns and views of the small business community that the SBA policy of using prime rate as a benchmark is not a fair or equitable means of formulating the rates to be charged.

The report recommended the following changes: First, SBA should cease utilizing the artificial prime rate as a benchmark and instead formulate a truer market rate. Second, SBA should not allow lenders to add on a percentage spread over the basic interest rate benchmark. Third, SBA should protect borrowers from rapid interest rate increases in any one year, preferably imposing a 2-percent limit on upward annual increases, similar to the Comptroller's limitation on national banks.

b. Benefits.—First, the costs to small businessmen/borrowers and to the U.S. Treasury of small business failures due to SBA's interest rate policies were not quantified. However, it is clear that small businessmen borrowers are defaulting on loans worth tens of millions of dollars, 90 percent of which SBA has guaranteed. The ultimate costs to the U.S. Treasury will be substantial. If SBA implemented the report's recommendations, SBA could save the Government similar amounts in the future. It could also prevent unjust enrichment to lenders at both SBA's and the small businessmen's expense.

Second, SBA's implementation of a fairer interest rate formula would increase the number of SBA guaranteed loans. For example, during the first 11 months of fiscal year 1982, SBA guaranteed only $1.6 billion in loans, although it was authorized to guarantee $2.7 billion for the entire fiscal year. SBA budget officials attribute this lower demand for available SBA guaranteed loans to high interest rates, and SBA's interest rate policies have caused much of this reduction. With different policies, small businessmen would be able to additionally borrow hundreds of millions of dollars under SBA guarantees, substantially benefiting the economy.

c. Hearings.—Hearings were held on May 19 and 20, 1981, and have been printed.

4. "Unauthorized and Excessive Fees Charged to Small Businessmen for Loan Packaging, Insurance, and Legal Work on SBA Guaranteed Loans," House Report No. 97-915, October 1, 1982, Thirty-sixth Report by the Committee on Government Operations Together With Additional Views.

a. Summary.—This report examined violations of SBA regulations by (1) firms, known as packagers, which prepare SBA loan guarantee applications, (2) affiliated insurance companies, and (3) lenders, concerning the fees they charge.

Excessive and unreasonable packagers', insurance, and bank fees have been a recurrent problem for SBA. The report found that banks and loan packagers often exact thousands of dollars in fees for overpriced legal and accounting services or for services that have already been completed by others. Fees—often amounting to thousands of dollars per loan—are often paid from loan proceeds, reducing the amount of working capital available to and jeopardizing the new small business just as it is getting started. Under the Bank Certification Program, under which SBA has delegated significant guarantee authority to private lenders, the potential for abuse in this area is even greater.

The report made several recommendations: First, SBA must educate its district loan officers, packagers and banks, of its fee requirements. Second, SBA should require that fees be held in escrow and not disbursed prior to its review and approval. Third, SBA should set up permissible fee schedules with ranges to guide its district offices. Fourth, SBA should actively solicit borrowers' input and complaints.

b. Benefits.—Approximately seven to eight million dollars could probably be saved each year if small businessmen/borrowers did not have to pay unauthorized, excessive, or unnecessary fees for packaging, insurance, and legal work. Moreover, if SBA implements the recommendations, SBA would become much more responsive to borrowers' problems, arising out of their loans and operations of their businesses. SBA assistance could make the difference between small business success and failure.

c. Hearings.—Hearings were held on May 19 and 20, 1981, and have been printed.

MANPOWER AND HOUSING SUBCOMMITTEE

1. "Improving the Administration of the Civil Service Disability Retirement Program," H. Rept. 97-412, December 15, 1981, Twenty-second Report by the Committee on Government Operations.

a. Summary.—Almost 25 percent of all Federal workers retire early because of disability injuries sustained off the job. Benefits are paid from the Civil Service Retirement Fund, which is administered by the Office of Personnel Management (formerly the Civil Service Commission). Approximately 340,000 retirees, half of whom are under the age of 60, draw disability payments. Benefits average $9,000 per year per annuitant.

The committee report found that although OPM has recently made progress in the operation of the disability retirement system, two major flaws are still evident: (a) OPM has been more concerned with administrative costs than overall program outlays and (b) OPM tends to forget disability retirees once they are admitted to the rolls. The committee report also makes several recommendations to deal with delays that plague the claims process.

A major report recommendation is that OPM survey its annuitant population to determine its suitability for job counseling, rehabilitation, referral and that appropriate annuitants be offered such services. Job counseling would be noncompulsory within the context of a pilot program. Testimony from the General Accounting Office, OPM officials, and others who are familiar with the annuitant population indicated that many people on the roll could benefit and take advantage of an alternative to collecting annuities that often are only 40-50 percent of former salary. Disability retirement under Federal standards does not necessarily imply total inability to work; through retraining and selective placement, many annuitants can again become productive.

OPM maintains only tentative contact with annuitants. Reviews for medical recovery are 17 months behind schedule. and cover only 5 percent of all annuitants. Annuitants earnings recovery has not been tracked in such a way that OPM can tell if annuitants are juggling their outside income to remain on the rolls. OPM has paid attention to preventing fraudulent claims from entering the rolls, but has done little with the rolls themselves.

An example of focusing on administrative costs while ignoring long-term costs is OPM's policy of not sending representation to Merit System Protection Board hearings, where denied claims are appealed. The committee report pointed out the savings that could be achieved if OPM presented its side of the appeal before the Board.

The committee is concerned that processing delays are unfair to claimants. Recommendations were made to speed automation of files and to eliminate the need for clarifications between claimant doctors and OPM claims examiners. Clarifications are needed in the majority of cases because doctors do not supply the kind of information claims examiners need to make adjudications.

b. Benefits.—If adopted by OPM, the committee proposals on roll review could make disability retirement more humane and more efficient. Carrying annuitants who could return to work is unfair to the annuitant and to the Retirement Fund. The committee recommendations would change OPM's attitude towards annuitants and towards OPM's oversight of the roll.

Because one of the problems addressed by the reports is OPM's lack of data about annuitants, precise savings cannot be estimated. However, knowledgeable officials anticipated that future savings could exceed the $150 million (5 percent of annual payout) already documented by OPM.

c. Hearings.—The hearing, held in Washington, D.C., on September 16, 1981, entitled "Improving the Administration of the Civil Service Disability Retirement Program." The hearing is available from the subcommittee.

2. "Compensating and Rehabilitating Injured Federal Workers," H. Rept. No. 97-399, December 11, 1981, Twenty-first Report by the Committee on Government Operations, Together With Additional Views.

a. Summary.—During most of the century, workers injured on the job have been able to obtain compensation through administrative rather than legal processes. In return for giving up his common-law right to sue the employer, the worker receives a statutory amount when accidents or illness are sustained on the job. There is wide variety among the state worker compensation systems in terms of the maximum amount of payment, the length it will run, and the amount of payment for scheduled awards. The Federal Employees Compensation Act is the workers' compensation law which covers Federal employees.

The system used to award benefits under the Federal Employees Compensation Act is a series of non-adversarial, administrative decisions. In most cases, Department of Labor personnel who administer the program see neither the claimant, the claimant's doctor, nor a representative of the claimant's employing agency. Contact and communication is usually by mail. When the Federal worker is injured on the job he has a right to be examined by a doctor of his choice. The doctor makes a determination concerning the extent and severity of the injury and forwards an injury notification form to the claimant's employing agency. The agency forwards the doctor's statement and other data describing the injury to the Office of Workers Compensation Programs (OWCP) in the Department of Labor, which administers the program.

The case is referred to one of approximately 400 claims examiners in OWCP's fourteen regional offices. When it forwards the claim to the OWCP office the agency may indicate that it wishes to controvert the claim. The agency can controvert the claim on many grounds, but cannot stop paying the employee his regular pay for 45 days unless a controversy is based on one of nine reasons defined by OWCP regulations. Most claimants return to work during the 45-day period that pay is continued.

Although originally paid by the Department of Labor, compensation and medical payouts are totaled at the end of the year and charged back to the claimant's employing agency. Agencies are given congressional appropriations to reimburse Labor. The exceptions are the Postal Service and the Tennessee Valley Authority who pay compensation and medical costs out of operating revenues.

In the last fiscal year 210,000 injuries were reported in the Federal civilian workplace. Of these 80 percent resulted in medical payments and 50 percent in absence from work. Traumatic injuries account for 92 percent of reported injuries and occupational illness cases account for the remaining 8 percent. Approximately 15 percent of all lost time injuries last longer than the 45-day continuation-of-pay period.

FECA disbursements in 1980 amounted to $785 million. Federal employing agencies paid an additional $66 million in continuation-of-pay benefits. Once on the Department of Labor rolls, claimants currently receive 75 percent of their former salary tax free if they have dependents; 66⅔ percent if they do not. If the injured claimant is able to work, benefits are adjusted according to earning capacity. The Office of Workers Compensation Program pays all the claimant's medical bills.

Annually, about 10,000 claimants are added to the long-term rolls of the Department, with roughly the same number leaving during a year.

After growing considerably in the year following the 1974 amendments, the periodic rolls have stabilized short of 50,000 claimants, including 8,000 who receive survivors benefits. These long-term cases are addressed by the OWCP rehabilitation specialist, who may decide to refer the claimant for rehabilitation. The rehabilitation specialist selects those cases more suitable for rehabilitation and then contacts either a private rehabilitation contractor or the state vocational rehabilitation office.

A major portion of the report discusses the importance of rehabilitating the injured worker. This is of significant importance because of the savings, in both human and dollar terms, that an adequate rehabilitation program offers.

Officials in OWCP fully recognized the importance of rehabilitating and returning workers to duty at the earliest practical stage. However, the committee report found that delays due to bottlenecks in testing and evaluation have resulted in lower-than-expected returns from rehabilitation. Injured employees were on the roll too long before they were put into contact with rehabilitation services. The operation is so short of staff that of the 9,000 long-term claimants judged as having the potential for profiting from rehabilitation, only 2,000 claimants can be handled at one time.

The subcommittee's report makes several recommendations that would speed referral of claimants to a vocational, rehabilitation contractor.

The report notes that the agency which employed the claimant at the time of the injury can play a pivotal role in the claimant's quick return to work. It highlights systems used by the Tennessee Valley Authority and the Postal Service for remaining in contact with injured workers and for giving managers incentives for rehiring claimants. Recommendations are made both to employing agencies and to congressional Appropriations Committees that would give greater responsibility to agencies for injured workers and give agencies more incentives to rehire claimants.

A comparison with private workers' compensation insurance companies shows the dramatic costs of FECA inattention to long-term rolls. Private insurance companies monitor claimants continually. Injured workers are expected to begin efforts toward re-employment immediately after the medical condition has stabilized. This is a much different philosophy from the one employed by FECA.

A longstanding problem with the Federal employees' compensation system is its inability to process claims in a timely manner. The original justification for providing that an injured worker's salary be continued for 45 days was that it took an average of 50 days for the Federal system to process the worker's claim. However, as of 1980 the General Accounting Office determined that the average processing time for traumatic injury claims was 129 days. Thus, for the seriously injured Federal worker there would be a considerable gap without either compensation or income between the 45th day and 130th day when compensation would begin.

To deal with the problem, the report recommends that the employing agency and OWCP make efforts to identify the long-term cases and give them expedited processing so a gap in payments would not occur. The recommendation is based on the fact that only one of five traumatic injury cases involves a disability expected to exceed 45 days. This fact-tracking of potential long-term claims has already been successfully implemented by the Tennessee Valley Authority in cooperation with OWCP. This approach should be followed by other agencies. When the disability is likely to be long term and when the agency does not plan to contest the claim, there is no justification for placing the burden of sluggish claims processing procedures on the back of the injured worker. Employing agencies and OWCP should devise a system of fast notification and priority adjudication to end this problem of delayed payments.

The Federal Employees' Compensation Act explicitly states claimants can be treated by the physician of their choice, but the law is silent on the agency's authority to examine the claimant. Uncertainty about agency authority to require employee medical exams is a continuing problem. The Office of Personnel Management, which is responsible for Federal agency personnel policy, has until recently failed to offer clear guidance on agency authority to require medical exams. However, OPM is presently drafting regulations defining agency authority to require medical exams of all types. The final regulations will provide agencies with authority to require medical exams of employees who are claiming compensation benefits. The report recommends that OWCP advise agencies of this recent OPM guidance.

The Federal Employees' Compensation Act grants employees three chances to have a denial of compensation reconsidered. But neither the law nor the regulations grant explicit rights to employing agencies allowing decisions adverse to their position to be reconsidered. The Inter-Agency Task Force on Occupational Safety and Health and the General Accounting Office, after studying the Federal employees' compensation system, both concluded that there is need for agency review rights. The report recommends that OWCP should by regulations provide agencies with the right to request reconsideration of an initial decision to award compensation where the agency has controverted the claim.

The report notes that two-thirds of the cost of FECA is due to the by-monthly payouts to claimants who are on the long-term rolls. Before 1976 neither OWCP nor the agencies expended much effort in determining whether those on the long-term rolls were still disabled or might be earning income which would thus reduce their compensation benefit. After GAO reports the Government Operations Committee recommendations that more effort be given to monitoring the long-term roll, OWCP and some agencies have had success in trimming the rolls of persons who were recovered and/or those who were receiving unreported income. The report discusses these efforts and recommends that the Department of Labor should examine the propriety of requiring claimants to grant a waiver to the agency paying their compensation and also to the Department of Labor so that Federal Government records may be reviewed to determine if claimants are receiving undisclosed earnings.

b. Benefits.—The dollar savings resulting from better reviews of the compensation rolls for medical recovery and/or unreported income are great. Even OWCP's limited reviews since 1978 has saved almost $28 million in actual and projected compensation benefits. One OWCP district office reported lifetime savings of $4.7 million by conducting face-to-face interviews of 37 selected beneficiaries. The total staff time involved in the project was only three-tenths of one year. The report recommendation that reviews of this sort be expanded to all offices, if implemented, would result in dollar savings of many millions.

The benefits to be derived from an adequate rehabilitation program are illustrated by the calculations of the U.S. Insurance Group that for each dollar spent in rehabilitation two dollars are saved in compensation benefits. In summary, although precise dollar benefits cannot be caluclated, if the report recommendations were implemented by the Department of Labor, the savings would be immediate and, because of the nature of a benefit program, would increase every year. It is no exaggeration to state that these recommendations would result in tens of millions of dollars of savings over the next decade.

c. Hearings.—Two days of hearings were held in Washington, D.C., on April 29 and May 6, 1981. The hearings are entitled, "Compensating and Rehabilitating Injured Federal Workers" and are available from the subcommittee.

3. "Community Action and the CSA Closure Decision," H. Rept. 97-216, August 4, 1981, Eighth Report Together With Dissenting, Separate, and Additional Views.

a. Summary.—The Community Services Administration (CSA) was the sole agency in the Federal Government whose function and mission was serving and advocacy on behalf of the poor. This subcommittee has held many hearings in the past on the performance of the CSA and how to improve its activities while protecting taxpayer interests. Based on results of our oversight, including the reports that testify to our knowledge of the CSA's weaknesses, we took great exception to the Reagan Administration's early plans to fold the CSA's program responsibilities into a Social Services Block

Grant to be administered by the States through the Department of Health and Human Services (HHS). This block grant would have been a grab bag of categorical social service programs whose funding would be cut 25 percent. National administrative management would be dissolved, and recipients consigned to state choice with few requirements for accountability. CSA was not even a categorical program and had been highly touted for the ability of its local grantees to adapt to their specific communities. Subcommittee statements point out that the proposed Social Service Block Grant (SSBG) lumped functionally and administratively dissimilar programs while attempting to fulfill the functions of an independent agency which had multiple programmatic responsibilities.

Furthermore, the proposed SSBG lacked capability to require basic standards of accountability and responsiveness on the part of States in relationship to their grantees, especially with regard to the important question of intended beneficiaries. Finally, under such a strategy, not only would CSA cease to exist (a result that was never recommended by either this committee or even the Administration's own task force report), but many community action agencies would die with no regard for their efficiency or effectiveness. The subcommittee's first hearing raised a number of questions about the proposed grant scheme. Accountability to the taxpayer and to program recipients was a major concern. The great differences among the programs to be collected under one administrative roof was a record.

However, by mid-1981 it became more likely that a Community Services Block Grant (CSBG) administered by the States through HHS would replace the CSA. This CSBG would incorporate modest safeguards for the most flagrant abuses evident in the earlier SSBG. Nonetheless, the CSBG failed to adequately specify how accountability was to be assured by the States; who would be eligible as grantees; what constituted standards of adequacy; how Federal-State-local differences over standards are to be resolved; how the CSA close-down was to be managed and funded; and procedures for handling CSA employee questions. Based on the subcommittee's work, the committee issued a report in August. It pointed out the necessity for a swift, well-planned, coordinated effort to overcome the effects of inadequate planning. The report contained several specific recommendations for reducing the loss and waste associated with such a wrenching change and for continuing the effectiveness of functioning local agencies.

When the CSA was actually closed on September 30, 1981, despite commendable efforts by CSA leadership and employees, many of the problems this subcommittee had predicted emerged to haunt the final days of the close-out effort and cast a shadow on the overall effectiveness and efficiency of the operation. The CSA and General Services Administration, which was to handle property affected by the closure, heeded our early warning signals and responded in accordance. The Office of Management and Budget, while not acting as timely as it should have, was forced to recognize the problems involved and began taking decisive steps to insure the closeout was accomplished by the end of the fiscal year. HHS, on the other hand, demonstrated reluctance to assume responsibility for many problems it admittedly foresaw but chose not to be accountable for since there was no legislative requirement in the CSBG language. This resulted in last minute (late September) establishment of an independent Office of Community Services to handle the complex and varied requirements of the CSBG. Most of these had been addressed earlier by the conclusions and recommendations in a committee report based on this subcommittee's investigation.

b. Benefits.—Had the recommendations of the report been aggressively implemented by all parties, the eventual CSA closure would have been more thorough, effective, efficient and harmonious for all involved. The report recommendations had immediate consequences in at least the following areas:

(1) Last minute resolution of who would be responsible for the over $300 million in the hands of CSA grantees at the close of business, September 30, 1981. Valuable time was lost until September 5, 1981, when OMB directed HHS to assume that responsibility. More timely reaction would have allowed HHS, clearly the only choice for the job, to understand the complexity of the Community Action Program more clearly and determine how to best manage the Community Services Block Grant program.

(2) The transfer of institutional knowledge acquired over 15 years (and millions of dollars of expenditures from CSA to HHS and the States) could benefit taxpayers, the poor, and responsible management in block grant strategies. As CSA learned, sometimes painfully successful operations of local agencies requires monitoring, assistance, and insistence on good management. If the States must relearn these lessons, much money may be wasted.

(3) Timely funding for Community Action Agencies (CAAs) in those states not administering the CSBG in fiscal year 1982 could have saved much human suffering and likely CAA closures had HHS heeded report recommendations. Despite assurances given during the October hearings, weeks passed before funds were provided.

(4) Hundreds of thousands of dollars, which are coming out of the pockets of taxpayers, are being consumed in costly lawsuits and litigation over employee and other issues related to closure and transition.

(5) The timely action of CSA leadership and the GSA in recognizing the issues raised by the report as valid concerns assured that the less satisfactory responses of others did not result in the CSA closeout being a complete failure. HHS, OMB, and OPM were able to plug into a well planned and structured closeout strategy, even with last minute decisions.

c. Hearings.—Two sets of hearings were held on the CSA closedown, both in Washington, D.C., during the first session of the 97th Congress. The first hearings, entitled, "Dismantlement of the Community Services Administration," were held on April 1, 2, and 28, 1981. These hearings are printed. The second hearings, entitled, "Effectiveness of the Community Services Administration Closure," were held on October 6 and 7, 1981. The hearings are available from the subcommittee.

4. "Stronger Support for Coordinated Federal Policy on Voluntarism Needed in ACTION," House Report No. 97-781, August 19, 1982, Thirty-second Report by the Committee on Government Operation Together With Additional and Dissenting Views.

a. Summary.—The massive cuts in social and domestic policy spending under the Omnibus Reconciliation Act of 1981 resulted in over $35 billion less being spent on programs in those areas. The Reagan Administration urged a national voluntary policy as the way to fill the gap left in meeting human and social service needs outside the Administration's Federal "safety net." This committee found grave deficiencies in the Administration's proposal to activate a national policy on voluntarism, especially as it relates to the principal voluntary agency of the Federal Government—ACTION.

Although ACTION would appear the logical base point for such policy action (being the only agency charged with coordinating and administering Federal voluntary programs), its leadership disavows both the role and responsibility. Given the variety, dispersion, and functional or geographical specificity of the Nation's thousands of voluntary groups/organizations, the most apparent need is coordination. If the voluntary sector and its actors are to fill the gap (an impossible task itself), the needs of those most hurt by Federal cuts can never hope to be met without a concise policy to make the effort effective, efficient, and coherent. Not only were the years of experience and resources at ACTION not considered as a beginning by the white House, the Agency's leadership was silent and actively refused responsibility in even traditional areas of activity.

The report found the Administration's policies to have a serious and damaging impact on voluntarism in the three principal areas: volunteer; business and corporate contributions; and charities, foundations, and voluntary organizations. It concludes that ACTION has not taken a sufficient leadership role in the formulation of a comprehensive, coordinated, and practical Federal policy on voluntarism. Finally, the report discussed general and specific weaknesses or deficiencies in the ACTION agency that limit its effectiveness and the efficient application of resources. Recommendations regarding improved legislative mission language, enhanced involvement in concerted national voluntarism policy, effective application of agency and voluntary sector resources, and targeted cost-effective programs that are compatible with private sector initiatives were listed. The report concludes with a discussion of some critical issues and questions that should be addressed by the President's Task Force on Private Sector Initiatives.

b. Benefits.—The recommendations in this report seek to obtain several major beneficial objectives:

(1) They would insure a clear, comprehensive, legislative mandate for ACTION to avoid misapplication of scarce Federal resources supporting voluntary activities; and insure that the Agency's role would remain explicit and consistent across changing administrations—barring changes in the law.

(2) Efficiency of available resources could be maximized by ACTION translating its years of acquired institutional knowledge and experience in the voluntary movement into strategies

that coordinate and guide a national voluntary policy. Millions of dollars could be saved by avoiding countless groups reinventing the wheel in wasteful trial-and-error experiments.

(3) The provision of clearinghouse services and monitoring of critical areas of voluntary service needs, as well as voluntary resources, would considerably enhance the effectiveness of the meshing process and implementation of voluntary initiatives. This would also encourage many voluntary sponsors or contributors to target areas most severely affected by Federal cuts.

(4) Initiatives that have more impact on those most in need would serve to fill the gap of lost Federal funds if targeting recommendations are implemented by ACTION in both its own experimental projects and those the Agency would encourage as part of an aggressive national voluntary policy. This would discourage the proliferation of many costly and highly specific projects that have little or no beneficial impact on the truly needy who are most hurt by cuts in federal spending. These benefits apply in both the public and private sectors. This avoids waste and inefficient use of millions of dollars nationwide, and would halt the propagation of questionable new ACTION initiatives costing several million dollars.

(5) Finally, the recommendations would make a national voluntary policy process more democratic and enhance a positive working relationship with non-federal actors in the voluntary movement.

c. Hearings.—Two days of hearings (February 2, and 3, 1982) were held on ACTION support for coordinated Federal policy on voluntarism. The hearings were entitled "Voluntarism and the Role of ACTION." They have been printed and are available from the subcommittee.

5. "Strengthening Audits at the Railroad Retirement Board," House Report. No. 97-902, September 30, 1982, Thirty-fifth Report by the Committee on Government Operations.

a. Summary.—The central theme of this report is that, although improvements have been realized in the internal audit function at the Board, it needs to be made independent and further strengthened. The audit function should report to the highest level of management, the three-member board of directors. Presently, it reports to the Chief Executive Officer.

In July 1979, the three-member board selected a new director for its audit function, Mr. Kenneth Boehne. During the past 3 years, Mr. Boehne has significantly improved the Board's internal audit services. He has upgraded the audit staff with the capabilities to do full-scope auditing, and he has divested the audit function of the many non-audit activities that had previously contributed to its ineffectiveness.

In view of the positive contribution auditors can make in assisting agency management to attain its goals, it is essential that the three-member board have frequent communications with the head auditor.

Communication between the auditor and the board is muddled because the auditor must report through the Chief Executive Officer (CEO).

Also, audit should not report to someone who is responsible for day-to-day operating decisions and who even controls some agency resources (travel, overtime moneys) on a daily basis. In addition, the temptation exists to assign non-audit activities to the audit group and to reduce unilaterally (or merely not provide) resources required in favor of program operations. The level of resources provided to audit should be determined solely by the board of directors because Congress holds them accountable for operating the Board efficiently, effectively, and economically.

The Board members should take certain other actions to strengthen internal audit and to establish a viable investigative function at the Railroad Retirement Board.

The audit and investigation function should be adequately staffed. The present staffing level is much too low to provide sufficient full-scope auditing coverage of benefit payment programs that provide about $6 billion a year to 1 million recipients. In recent reports on other Federal agencies, GAO has recommended that audit staffs at those agencies be increased to allow for full-scope auditing services. We believe this recommendation is applicable to the Board as well.

All audit/investigation activities should be centralized under the leadership of the Director of Audit and Investigation. At the present time, staff members within the program bureaus at the Board carry out various audit and investigative activities for their individual bureaus. We believe a single audit and investigative function for the agency has several advantages, not the least of which is more effective and efficient use of personnel resources.

b. Benefits.—The Director of Audit and Investigation will have the necessary authority and resources to coordinate and provide leadership to the agency's activities that are directed at combating waste, fraud, and abuse.

c. Hearings.—"The Railroad Retirment Board's Field Structure," May 21, 1982, Chicago, Illinois. "The Railroad Retirement Board's Management of its Disability Retirement Programs," June 21, 1982, Washington, D.C. To be printed.

6. "Improvements Needed in the Department of Housing and Urban Development's Efforts To Avoid Single-Family Mortgage Foreclosures," House Report No. 97-772, August 19, 1982, Thirty-first Report by the Committee on Government Operations.

a. Summary.—Nonsubsidized single-family mortgage insurance (authorized under Section 203(b) of the National Housing Act) is similar to any insurance in that premiums are collected to create an insurance fund.

Outlays from the fund are primarily in the form of claims paid to mortgagees who present court-awarded deeds at the end of foreclosure proceedings. Other outlays that are made from the fund or the HUD budget include: claims paid to mortgages upon acceptance of assignment, staffing costs, cost of training staff, and mortgage counseling.

Overall present budget pressures are forcing HUD to cut staff and counseling and other outlays, but the Department is unable to determine whether the savings realized by those cuts will be offset by greater insurance claims. As the national economy remains stagnant and foreclosures continue to rise, HUD may find itself in the position of paying more in insurance claims than it saves by cutting the cost of its forbearance program.

b. Benefits.—A well-run forbearance program can help to control claims payments.

c. Hearings.—"HUD's Support of the Housing Counseling Programs," October 27, 1982, Washington, D.C. Hearing to be printed.

GOVERNMENT ACTIVITIES AND TRANSPORTATION SUBCOMMITTEE

1. "Air Traffic Control Computer Failures," House Report No. 97-137, June 11, 1981, Third Report by the Committee on Government Operations.

a. Summary.—Beginning with a near midair collision during an air traffic control computer failure in October 1979 and continuing through 1980, there was extensive public and congressional concern over the potential threat to safety posed by breakdowns in automated data processing equipment used for air traffic control. Following up on and reopening an investigation begun in 1976, the Committee on Government Operations investigated this matter through the Subcommittee on Government Activities and Transportation. The subcommittee held two days of hearings on June 30 and August 15, 1980.

One of the primary purposes for which the Federal Aviation Administration was created in 1958 was to establish and operate a unified air traffic control system. Today, that system has grown into a very large, complicated, and highly automated complex to accommodate vastly increased traffic by much faster and larger aircraft. Great progress has been made in reducing the danger of midair collisions. But the consequence of midair collisions have also grown far greater.

Allegations that the computerized radar data processing on which air traffic controllers rely is not sufficiently reliable and may be getting worse instead of better raised the specter of an increase in midair collisions. FAA employees who operate the system (i.e., air traffic controllers, specialists, technicians and their organizations) made a number of strong criticisms, including:

The automated data processing equipment is much more prone to failures—termed outages—than FAA management is willing to admit and this does pose a threat to safety.

The computer performance data on outages used by FAA management does not accurately describe the reality of the situation controllers experienced with the equipment.

Presumably based on this unreliable data, the agency has made budget, staffing, procurement, and planning decisions which are making air traffic control problems worse.

The FAA repeatedly denied that these allegations were true. Then under the threat of a funding cut-off by the Appropriations Committees, it established a plan to correct these problems.

The committee's investigation revealed that the criticisms of the FAA's air traffic control automation system were not without foundation and did reveal significant problems. The committee finds that:

Computer outages pose a threat to safety, especially during peak traffic periods.

Because FAA's computer and facility performance reporting system and data are of dubious validity it is impossible to reach conclusions on computer reliability.

FAA is not doing an effective job of alleviating problems caused by automated data processing equipment failures or planning for replacement of the equipment.

The report made the following recommendations for improvement:

A. FAA should establish a single, verifiable failure (outage) reporting system for its air traffic control automated data processing (ADP).

1. Equipment or hardware failure reports should be recorded in a way that they can be cross-checked with reductions in parts inventory.

2. All ADP failures which result in a controller receiving less than full support should, to the extent possible, be recorded and reported automatically by the machines themselves.

(a) This information should be collected irrespective of whether the failures (outages or interruptions) are "scheduled" or "unscheduled" according to the agency's current definitions.

(b) This information should be fully correlated with safety problems in air traffic control such as "system errors" and near midair collision reports.

B. After verifiable outage data is obtained, FAA should use the data to set supportable controller and technician staffing levels needed for the future.

1. The staffing levels should assure the safety of the existing air traffic control system in the face of forecast traffic increases while the next level of automation is developed.

2. To meet those staffing levels the FAA should follow through with the long leadtime training programs required.

C. The Appropriations Committees of Congress should demand an understandable, specific plan for correcting air traffic control automation problems as a condition for continued funding support.

1. The requirement for elements of such a plan to do so contained in the report to accompany the Appropriations Act for 1981 was largely ignored by FAA and should be demanded again and enforced.

D. The Comptroller General of the United States should initiate a comprehensive investigation of the FAA's planning, management, and acquisition of automated information systems for Air Traffic Control and FAA management purposes. GAO should report to this committee its findings and conclusions with appropriate recommendations no later than October 1982.

E. The FAA should initiate a detailed study of (1) its current system deficiencies and its requirements for automated information systems for air traffic control, and (2) the technical and economic feasibility of direct replacement of its en route air traffic control computer systems. Interim progress reports on this study should be sent to the Government Operations Committee and the House and

Senate Appropriations Committees on a quarterly basis with the final report due on July 1, 1982.

F. No later than August 1, 1981, the FAA should prepare and transmit to the committee a detailed description of its implementation of Public Law 96-511, the Paperwork Reduction Act of 1980, including the establishment of a central information resources management office.

b. Benefits.—The FAA has been directly spending approximately $1.7 billion per year operating and maintaining the air traffic control system. The agency has been and is planning to spend upwards of $3 billion to replace its main computers as part of an overall $7 to $10 billion capital expenditure program to automate and upgrade the entire system. This will rank as one of if not the largest single civilian Federal procurements to date. Yet the report found substantial problems with the basic data gathered by the agency on the performance, capacity, reliability, and safety of the existing equipment and plans for replacement.

In response to this investigation and report, along with similar efforts by the Appropriations Committees, the FAA conducted a comprehensive systems analysis of its planning and procurement. The result was a roughly 300 page document entitled the "National Airspace System Plan," known as the Helms plan for the new FAA Administrator J. Lynn Helms. This document attempts to integrate all FAA plans (but not budgets) for air traffic control equipment procurements for the next 10 to 20 years. This plan was termed a "step in the right direction" by a GAO evaluation of it, AFMD-82-66, submitted as an interim report pursuant to the Committee report's recommendations. Another area of progress was that FAA finally consolidated and reformed its computer and equipment reporting system into the National Airspace Performance Reporting System (NAPRS) in conformance with the Committee's recommendations.

Unfortunately, long neglect of the problems described in the report played at least a part in causing the strike by air traffic controllers on August 3, 1981. The resulting curtailment of air traffic has been costing the airline industry an estimated $3 million per day in losses.

c. Hearings.—Hearings were held on June 30, and August 15, 1980. The transcripts have been printed.

2. "Occupational Safety and Health Protection for Aviation Industry Employees—The Conflict Between FAA and OSHA," House Report No. 97-393, December 11, 1981, Fifteenth Report by the Committee on Government Operations.

a. Summary.—The Subcommittee on Government Activities and Transportation has for many years examined the efforts of the Federal Aviation Administration (FAA) to promote aviation safety. In recent years, the subcommittee has been increasingly concerned with the relationship between working conditions for employees in the aviation industry and air safety, and the actions taken by the FAA to promote safe and healthful working conditions on the ground.

In its previous inquiries into this matter, the subcommittee has focused on the efforts (or lack thereof) of the FAA to develop and enforce standards addressing working conditions for flight crews. However, it was brought to the attention of the subcommittee that problems existed with respect to the working conditions of airline maintenance and ground support personnel. Currently, there is uncertainty among the FAA, the Occupational Safety and Health Administration (OSHA), the airline carriers, and the affected employees as to whether the FAA or OSHA is responsible for regulating the working conditions of airline maintenance and ground support personnel. This gap has led to prolonged litigation and conflicting policies which have resulted in a general reduction in the level of protection afforded these employees.

The subcommittee's investigation, which included review of hundreds of employee complaints, interviews with FAA, OSHA, and union officials, and field hearings in San Francisco brought out several important points: (1) airline maintenance and ground support personnel face serious threats on the job to their safety and health, (2) some of their employers argue that the FAA has the exclusive authority to regulate those conditions and these employees should not be covered by OSHA, (3) the FAA has neither the desire nor the expertise and resources to assume such exclusive authority, and (4) while both the FAA and OSHA have stated that they are willing to develop an agreement clarifying their respective areas of jurisdiction, no such agreement has been developed. The need for such an agreement and a description of the efforts made to date to obtain one are set forth more fully in this report.

Airline maintenance workers frequently must work on raised platforms that are the equivalent to three or four stories high to get at various parts of a plane. Ground support crews loading aircraft use large, heavily loaded mobile lifting machines which can and have failed. An airline's maintenance base, such as the very large United facility at San Francisco, is essentially a factory, complete with all the components of a heavy industry machine shop such as lathes, drill presses, cranes, forges, die cutters, and powered hand tools. The long history of industrial accidents associated with this kind of machinery and equipment everywhere has demonstrated the potential hazard to workers, especially if inadequate protections and procedures are allowed.

Additionally, airline maintenance and ground support personnel are exposed to carbon monoxide, polynuclear aromatics, and chemicals in jet fuel, jet exhaust, cleaning solvents and paint which are known to cause, inter alia, neurological damage, cancer, respiratory problems, heart disease, and skin and eye irritation. They are also exposed to radiation and microwaves during maintenance procedures.

While these problems are serious, they are not substantially different from many of those faced by mechanics and machine-shop employees in other fields. Aircraft welders are exposed to the same dangers as welders in other industries. Many of the chemicals which pose a threat to the health of airline maintenance and ground support personnel are used in other industries, and workers in those industries face similar dangers. Based on this information, it became apparent to the subcommittee that airline maintenance and ground support personnel work in conditions which could pose a threat to their health and safety, and that OSHA possess both the expertise and the experience to deal with many of these problems.

However, at least two airlines have so far successfully fended off OSHA on the ground that regulation of their ground support activities by FAA preempts OSHA's jurisdiction under section 4(b)(1) of the Occupational Safety and Health Act. The air carriers assert that their aircraft maintenance manuals, which they write and submit to FAA subject to disapproval, are regulations with the force and effect of law sufficient to invoke preemption under section 4(b)(1), of the Occupational Safety and Health Act. They have obtained some success with this argument. It is an absurd result for the following reasons, among others:

The manuals are written primarily for the purpose of protecting the aircraft, not the people who work on them;

FAA has stated that they only review the manuals, if they do so at all, for their effect on the safety of the aircraft *in flight;*

The employer-airlines can and regularly do make revisions in the manuals which may or may not take into account job safety;

The manuals do not cover all activities at a ground support facility, only those directly related to work on a particular aircraft. The net result has been to leave tens of thousands of industrial workers without any job safety protection at all save that which their employers decide to provide. This could all be avoided if FAA and OSHA would reach an agreement on their respective jurisdictions. The agencies came close to doing so and the report preserves the record of this latest attempt and urges FAA and OSHA to try again.

b. Benefits.—The report documents for future use this example of how failure by two Federal agencies to reach agreement has resulted in regulatory gaps and duplication, to the net detriment of employees and their industry. If the report's recommendations are followed, future litigation and duplication can be avoided, and on the job health and safety protection can be extended to thousands of employees, reducing future injury and disability costs.

c. Hearings.—Hearings were held on August 16, 1980, at San Francisco, California. The hearing transcript has been printed.

3. "Aircraft Cabin Safety Staffing Standards," House Report No. 97-394, December 11, 1981, Sixteenth Report by the Committee on Government Operations.

a. Summary.—On January 19, 1981, just one day prior to President Reagan's Inauguration, the FAA published a Notice of Proposed Rulemaking, entitled "Operations Review Program: Notice No. 11," which offered a number of different revisions to the Federal Aviation Regulations (FARs). Included in this package was a proposed amendment to FAR 121.391 which would permit airlines to reduce the presently required number of flight attendants in certain circumstances by changing the configuration of the cabin. The changed configuration and reduced number of flight attendants would be permitted in the following circumstances:

1. Flights with a history of lighter passenger loads than the full seating capacity of the airplane;

2. Specific flights requiring substitution of a larger aircraft due to mechanical or weather difficulties when an additional flight attendant cannot be obtained without more than a 2-hour delay; or
3. Specific flights on which a crew member becomes ill and a substitute cannot be found within 2 hours.

In its explanation accompanying this proposed amendment, the FAA blithely justified its changes with the assertion that by its close monitoring of the use of carrier authority to reduce flight attendant staffing, "safety will not be adversely affected."

However, members of the subcommittee had serious doubts about the impact of this change on the safety of air travel. The ability of flight attendants to assist passengers in all types of emergency conditions, especially those necessitating rapid evacuation of the aircraft, is essential to prevent injury or death in airplane accidents. Stripped of jargon, what the FAA proposed to do was allow airlines to block off portions of an airplane which was carrying a low passenger load and reduce the required number of flight attendants by tying the staffing standard to the number of passengers on board rather than the current staffing standard based on number of seats.

Today's flight attendants are trained to handle all types of emergency conditions including medical emergencies. Examples of emergency conditions which may occur in connection with air travel include decompression of the cabin, attempted hijackings, in-flight fires, emergency landings, encounters with severe air turbulence, passenger intoxication, heart attacks, epileptic seizures and injuries. In addition, flight attendants must be able to attend to any special needs of the elderly, the handicapped, and unaccompanied children, and be versed in water survival in the "unlikely event" of a water landing.

Clearly, safety is the one and only reason flight attendants are necessary on passenger-carrying aircraft, not to be waiters and waitresses. These service aspects of flight attendants' responsibilities are simply a feature added by the air carriers for the convenience of passengers.

According to the National Transportation Safety Board, many aircraft accidents are survivable in that deceleration forces are within human tolerances and not sufficient to necessarily cause fatal injury. Furthermore, the leading cause of death in survivable accidents involving post-crash fire is asphyxiation resulting from the inability of passengers to evacuate the aircraft before being overcome by smoke and fumes. Of the survivable accidents which occurred during the decade between 1969 and 1979, a full 60 percent of fatalities were caused by aircraft fires as compared to 40 percent caused by the impact forces of the crash.

For this reason, aviation safety experts place great emphasis on the ability of passengers and crew to evacuate the airplane quickly and efficiently. Air carriers provide lengthy and detailed instructions to flight attendants on how to effect an evacuation over land or water under various conditions.

The subcommittee's investigation and hearing revealed that FAA had virtually no evidence that reducing flight attendant minimum staffing would not reduce safety nor did it intend to investigate whether it would. The agency was proceeding on the assumption that since the ratio of the reduced number of passengers to flight attendants remained the same, albeit while the size of the plane and potential hazards remained large, safety would be unaffected.

Virtually all the non-FAA witnesses at the hearing condemned the proposal, including the National Transportation Safety Board and the International Association of Fire Fighters. Also brought out at the hearing was the prospect that the proposal would allow a very large plane such as a Boeing 747 to fly with 100 passengers and two flight attendants. In the event of an accident, in which at least one of the flight attendants could be expected to be incapacitated or killed according to historical patterns, this would leave one attendant trained and responsible for evacuating 100 victims out one or more of eight doors in the required 90 seconds.

The bald implausibility of this led the subcommittee to send a unanimous letter to FAA urging withdrawal of the proposal, followed by this report recommending the same.

On December 17, 1981, FAA formally withdrew the proposed change, citing lack of evidence that safety would not be derogated.

b. Benefits.—The subcommittee's investigation and hearing focused public and agency management's attention on the egregious failings of a seriously flawed regulatory proposal which would have reduced the level of safety afforded the flying public, resulting in the proposal's withdrawal.

c. Hearings.—Hearings were held on April 6, 1981, and the transcript has been printed.

GOVERNMENT INFORMATION AND INDIVIDUAL RIGHTS SUBCOMMITTEE

1. "International Shortwave Broadcasting and Direct Broadcast Satellites: Voice of America, Radio Free Europe/Radio Liberty, Radio Marti," House Report No. 97-398, December 11, 1981, Twentieth Report by the Committee on Government Operations.

a. Summary.—The report found that the United States' international shortwave broadcasters operate with antiquated equipment and that there is a need to modernize facilities. The committee recommended that an in-depth study be conducted by an Executive Branch task force, including representatives from the Voice of America, Radio Free Europe/Radio Liberty, and other appropriate agencies, to explore the potential of direct broadcast satellites. The study should not be limited to the potential of direct broadcast satellites for shortwave radio transmissions but should also investigate the potential of transmitting video signals via direct broadcast satellite. The study has been undertaken.

The report considered the proposed creation of a new United States international broadcaster, Radio Marti. If established, Radio Marti would provide programming to the people of Cuba, concentrating on internal Cuban affairs. The Administration has requested $10 million for the establishment of Radio Marti. The committee found a number of inconsistencies in the plan to create Radio Marti and determined that the proposal warrants further study. The need for further review is underscored by indications from the Cuban government that it will retaliate against Radio Marti broadcasts in a manner that could severely interfere with American broadcasts throughout the continental United States and as far away as Alaska and Hawaii. The committee formally recommended that no further action be taken to organize, establish, or operate Radio Marti until Congress has had adequate time to study and authorize the proposal.

b. Benefits.—The use of newer technology will make it possible for United States' international shortwave broadcasters to better serve their audiences and may result in cost savings in the long term. Review of the proposal to establish Radio Marti emphasizes the need to spend federal funds in a responsible and worthwhile manner. As a result of the subcommittee investigation, the authorizing committees have conducted in-depth investigations into the Radio Marti plan. Deferral of the proposal pending a study would save $10 million in current expenditures. Delay in approval of the authorizing legislation has resulted in the reduction of funding to an estimated $7.5 million.

c. Hearings.—October 23, 1981. Hearing has been printed.

2. "Outlook for Multistate Regional Intelligence Projects," House Report No. 97-280, October 20, 1981, Twelfth Report by the Committee on Government Operations.

a. Summary.—The report found that there are clear benefits to State and local law enforcement provided by the cooperative, information-sharing Projects. The funding for the Projects comes principally from the Federal Government. With the demise of LEAA and the refusal of the Justice Department to request further funding, the Congress has acted to fund the Projects through line items in the Department's budget.

The effectiveness of the Projects is currently being analyzed by the independent Institute for Intergovernmental Research. Pending receipt of the formal Institute's evaluation, self-reported data and testimony from Departmental witnesses indicate that there has been significant success with complex cases conducted with Project assistance at the State and local level of law enforcement.

A total of seven Projects have been initiated and are at various stages of development. Total federal expenditures for them have reached $25 million. One project, which concentrates on fraud in the coal industry, turned over to IRS $115 million in completed Federal tax fraud cases in 1981 alone.

The committee seriously questioned the wisdom of the Department in attempting to withdraw financial support for the Projects, since they appear to be cost efficient and enjoy great support in the law enforcement community. At any event, such action would appear premature pending the final report on Project effectiveness.

b. Benefits.—The subcommittee investigation has forced the Department of Justice to reexamine its decision to close the Projects, and to consider cost effectiveness in its eventual decision. This investigation has provided the base for a broader examination of the law enforcement requirements of State and local government, and the direction of Federal assistance along those lines.

c. Hearings.—Held on May 27 and 28, 1981. Hearings have been printed.

3. "Vietnam Veterans Outreach Centers," House Report No. 97-396, December 11, 1981, Eighteenth Report by the Committee on Government Operations.

a. Summary.—The report found that the Veterans' Administration's management of the Vietnam Veterans Readjustment Counseling Program was completely inadequate. Lack of management led to confusion on the part of the field elements responsible for administering program operations.

The investigation showed that as much as 40 percent of the program's operational budget may have been obligated for unrelated purposes during fiscal year 1981. Also, approximately $16.2 million budgeted for "contract/fees for services" in support of this program were diverted by the Veterans' Administration for purposes unrelated to the stated program objectives.

Investigations further revealed an organizational structure that left program personnel responsible but placed all operational authority outside the program leadership. This responsibility without authority has prevented clear lines of communication and resulted in a poor decisionmaking process.

The committee recommended that the Veterans' Administration strengthen its management controls with particular emphasis on better fiscal controls and that all funds appropriated by Congress for this program be spent in support of the program. It also recommended that the Deputy Administrator monitor implementation of the recommendations and also monitor the future operation of the program.

b. Benefits.—This investigation has revealed significant problems that were impacting on the quality of care provided to the Vietnam Veteran. As a result of this investigation and hearing the Veterans' Administration's commitments to resolve those problems will have a favorable impact on care for veterans.

c. Hearing.—October 19, 1981. Hearing has been printed.

4. "The Nine-Digit ZIP Code Investment: More Digits, Less Savings," House Report 97-397, December 11, 1981, Nineteenth Report by the Committee on Government Operations.

a. Summary.—The report found that the Postal Service overstated and misrepresented the benefits that might accrue from its plan to lengthen ZIP codes to 9 digits as it automates the mail sorting process.

Originally, the Postal Service claimed it would realize a 48.5 percent return on its investment in automated mail sorting equipment, if ZIP codes were expanded to 9 digits at the same time. Automation alone, according to the Postal Service, would yield only a 22 percent return on the investment of some $900 million in new equipment.

The Postal Service's 48.5 percent figure was premised on, among other assumptions, the belief that the longer codes would be used on 50 percent of the roughly 30 billion pieces of first class business mail by 1982 and on 90 percent of this type of mail by 1986. To achieve these levels of usage, postal officials said they would provide an incentive to business mailers in the form of a discount of at least one-half cent off the standard postage rate, for letters carrying the 9-digit codes.

However, in reviewing the case as presented by Postal Service management, the Committee found that:

> Postal officials neglected to point out that the plan, as a whole, would have a negative cash flow for 6 to 8 years; that whatever the return on investment might be, it would not be realized until the mid to late 1980s;
>
> In analyses presented its Board of Governors, postal officials failed to include as a cost of the project the revenue it would lose by giving business mailers a discount to induce use of the 9-digit ZIP codes. The cost of the ½ cent discount proposed by the Postal Service could approach $150 million per year;
>
> When postal officials finally revised their analysis to include this cost the revised analyses showed a return on investment of 31.3 percent, rather than the 48.5 percent originally claimed. However, the Service failed to conform to its own standard for capital investment procedures that provides for use of current dollar values in all supporting analyses. While the value of the cost of labor (from which savings are determined) was held constant, the value of discount (a major cost element) was allowed to decline;
>
> Postal officials knew at the outset, and subsequently admitted, that the discount—if it were to serve its stated purpose of inducing use of the 9-digit ZIP codes—would have to be increased beyond the proposed one-half cent, as early as 1983, rather than allowing its current dollar value to decline as was done in its revised analyses.

The committee found that, when all cost elements are included and treated in a consistent manner, the cash flow analysis shows that the return on investment for automation and longer ZIP codes would be approximately 22 percent—the same return reported by the Postal Service for automation alone. It appears, therefore, that maintaining the current economic value of the discount given to business mailers as an inducement to use 9-digit ZIP codes would offset any savings (through labor costs avoided) that might otherwise accrue from having four additional digits in each ZIP code.

b. Benefits.—Proceeding more cautiously on expanding the ZIP code would enable the Postal Service to realize the benefits of automation, while avoiding as much as $4.5 billion in incentives that will be paid to mailers who convert their mailing lists to the longer codes. Mailers might also save the almost $1 billion that conversion will cost them. (See House Report 96-1531.)

c. Hearings.—March 26 and September 10, 1981. Hearings were printed.

5. "Direct Broadcast Satellites: International Representation and Domestic Regulation," House Report No. 97-730, August 12, 1982, Twenty-eighth Report by the Committee on Government Operations.

a. Summary.—For over a decade, the potential use of direct broadcast satellites (DBS) for television transmission has been debated in the United Nations and other international organizations.

Recently the debate has moved closer to home with the authorized development of DBS for use in the United States.

The report describes the elements of both the domestic discussion of the implementation of DBS services and the international debate on the nature of DBS services. The report found the potential of DBS service to provide all U.S. households with television service very attractive. However, concern was expressed regarding the ability of individual communities to affect television programming through application of local community standards. The nature of DBS systems will result in a diminishing role for individual communities. The ability of communities to affect programming will be further diminished if the Federal Communications Commission does not exercise its authority to regulate obscene or indecent programming.

The report also found that provision of public service or local programming could be adversely affected by the implementation of DBS. These systems could prove inconsistent with the local nature of licensing in the United States since the systems will operate as national or regional systems. The report recommends that the FCC act to ensure the performance of public service obligations of DBS television licensees, and that the FCC should continue to act on citizen complaints pursuant to its statutory duty to act in the public interest.

Operation of domestic DBS television service in the United States is dependent on standards adopted by the International Telecommunications Union (a specialized agency of the United Nations). The standards will be established at the 1983 Regional Administrative Radio Conference (RARC). U.S. preparation for these international communications conferences has been hindered in the past by lack of coordination among responsible agencies and conflict of interest rules applicable to private sector participants. Although the conflict of interest matter has since received Congressional action, U.S. preparatory efforts still suffer from a lack of coordination and financial commitment. The report recommends that the FCC make certain that adequate funding resources are made available for participation in the 1983 RARC and subsequent international communications conferences. The report also recommends specific issues to be addressed by the U.S. Government in preparing a negotiating strategy for the 1983 RARC.

b. Benefits.—Implementation of the report's recommendations will lead to more responsible development and deployment of DBS systems in the United States. In addition, better preparation for, and funding of U.S. Government work on the 1983 Regional Administrative Radio Conference will improve the chances that the United States will achieve its goal at the Conference.

c. Hearings.—Hearings conducted September 16 and 22, 1981. Hearings were printed.

6. "Security Classification Policy and Executive Order 12356," House Report No. 97-731, August 12, 1982, Twenty-ninth Report by the Committee on Government Operations.

a. Summary.—Basic government policy on the classification of information in the interest of national defense and foreign policy is set under an Executive Order. On April 2, 1982, President Reagan issued Executive Order 12356 superseding Executive Order 12065 that had been issued by President Carter in 1978. The effective date of the new order was August 1, 1982.

The report briefly reviewed the history of security classification from the early days of the United States. The report also contained a detailed description of the major provisions of the Reagan order and a comparison of the Reagan order with the Carter order.

The major findings of the report center on the failure of the Reagan Administration to fully inform the Congress and the public about the proposals to change security classification rules or to solicit advice at a meaningful time during the revision process. In addition, the report concludes that the Reagan Administration failed to identify clearly the problems with the Carter Administration's security classification rules that the new order was intended to solve. The Reagan Administration also failed to explain in a satisfactory manner the purpose of the changes that were made. Finally, the report finds that overclassification of information continues to be a serious problem and that the new Executive Order offers nothing that will address the overclassification problem.

The report recommends more openness when security classification rules are adopted or changed by the Executive Branch. This includes full notice to the Congress and the public, written findings in support of proposed changes, and a timely opportunity for public and congressional comment on proposed rules. The report also recommended that changes in security classification rules be made only when concrete problems with the protection of sensitive information have been identified.

Finally, to deal with the problem of overclassification, the report recommends that the National Security Council, the Information Security Oversight Office, and the Office of Management and Budget work together to develop and apply methods of limiting abuse of classification authority.

b. Benefits.—Maintenance of classified information is very expensive, and anything that discourages unnecessary classification will result in cost savings. The Reagan order on security classification is written very broadly and gives classifiers greater authority to classify information. The detailed oversight of the Committee and criticism in the report should help to discourage the classification of information that does not require protection. In addition, the recommendation that several agencies with oversight responsibilities for classification issues work together to develop and apply methods of limiting abuse of classification authority should help. The National Security Council has agreed to undertake the work recommended by the Committee.

c. Hearings.—Hearings were held on March 10, 1982, and May 5, 1982. The hearings have been printed.

7. "Presidential Libraries: Unexplored Funding Alternatives," House Report 97-732, August 12, 1982, Thirtieth Report by the Committee on Government Operations.

a. Summary.—The report found that, while the original estimates of both the number of, and cost to operate, Presidential Libraries had been exceeded, much of the increase in cost of the Presidential Library system is the result of the imposition of inappropriate space rental and service charges by the General Services Administration.

After only 27 years since enactment of the Presidential Libraries Act, there are seven libraries in operation with two more likely to be added in the not too distant future. The cost of operating and maintaining this library system is estimated in the President's fiscal year 1983 budget at $14.9 million or in excess of $1.5 million per library. Architects of the Act envisioned only 12 or 15 libraries costing $150,000 each after 100 years.

Of the estimated fiscal year 1983 cost of $14.9 million for Presidential Libraries, $8.4 million has been earmarked for payment to the GSA-run Federal Building Fund. This $8.4 million assessment represents a combination of so-called standard level user charges (SLUC) and recurring reimbursable costs (RRC). SLUC is the rental rate that the General Services Administration assesses Federal agencies for their assigned space. This rate is composed of a square foot rental rate, an escalation of this rate, and an added charge for standard services and protection. RRC is levied for services over and above those which are defined as standard. Based on information from past years the $8.4 million assessment is most likely attributable one-half to SLUC and one-half to RRC. The SLUC charge is, in turn attributable one-half to rental and one-half to service-related charges.

Moreover, the available evidence indicates the amount assessed the Archives by GSA for standard and other services consistently exceeds the direct cost of those services by 30 percent or more.

b. Benefits.—The Administrator of General Services has agreed that, since Presidential Libraries are built with private funds to serve a specific purpose and then donated to the Government, the rental-related portion of SLUC should not be levied. If the SLUC charge is modified accordingly in fiscal year 1983, the estimated cost of the Presidential Library Program could be reduced by approximately $2.1 million. By limiting charges for service to actual agency costs, the library program price tag would be further reduced, perhaps by as much as another $2 million.

The actual remaining cost of operating and maintaining Presidential Library buildings (approximately $4 million), could be supported through the establishment of perpetual endowments as adjuncts to the National Archives Trust Fund.

With vigorous pursuit, this alternative has the potential for saving some $8.4 million in appropriated funds in fiscal year 1983, alone. Furthermore, the Administrator of General Services could require the establishment of an endowment to accompany the donation of any buildings in the future for use as Presidential Libraries. Doing so would limit substantially appropriated funds to cover the costs of the Presidential Library System.

c. Hearings.—March 2 and 4, 1982. Hearings were printed.

8. "Postal Service Electronic Mail: The Price Isn't Right," House Report 97-919, October 1, 1982, Forty-first Report by the Committee on Government Operations.

a. Summary.—On January 4, 1982, after a long and tortuous struggle through the regulatory process and still under a cloud of litigation, the U.S. Postal Service commenced its Electronic Computer-Originated Mail (E-COM) system. E-COM affords mailers, at least those who have the capability, the opportunity to transmit the text of letters (a minimum of 200 per transmission) over telephone lines to computers in any of 25 specially equipped post offices scattered throughout the continental United States. Machines then print the letters and stuff them into distinctive blue and white envelopes bearing the Postal Service's E-COM logo. The letters are then treated as normal first class mail, except that E-COM messages carry the Postal Service's assurance of delivery in two days or less. And all of this for a mere 26¢—just 6¢ more than the cost of a first class stamp alone.

The report found that, in setting up its system, the U.S. Postal Service Board of Governors increased by five-fold the capital investment upon which current E-COM rates were based and knowingly projected volumes that it had little or no reason to believe would be attained. As a consequence, the report concluded that the current E-COM rate is not compensatory; that the Postal Service has known for some time now that this is so; and, therefore, that E-COM is being subsidized by other postal services in violation of 39 U.S.C. 3622(b)(3).

In reviewing events leading up to the approval of E-COM-related contracts and the decision to commence service on January 4, 1982, the Committee found that questions concerning the non-compensatory nature of the rates were raised in closed Board of Governors meetings as early as January, 1981. Excuses as to why a commitment to corrective action in September, 1981, was not met were found to be specious, at best. This was because the litigation that allegedly impeded action was brought after the date on which the Postal Service would have completed work associated with the commitment. Finally, the Committee found that Postal Service claims and projections of E-COM success were unrealistically rosy.

b. Benefits.—Left unchecked, non-compensatory E-COM rates will result in continued illegal cross-subsidization using revenue generated by other postal services and could impede development of private sector telecommunications and information services. Moreover, unless the Postal Service is able to improve its analyses and projections relative to the potential market for E-COM service, the viability of the Postal Service's effort could be threatened.

c. Hearings.—October 5, 1981 and February 25, 1982. Hearings have been printed.

9. "Military Assistance to Civilian Narcotics Law Enforcement: An Interim Report," House Report 97-921, October 1, 1982, Forty-second Report by the Committee on Government Operations.

a. Summary.—The report evaluated the degree and nature of assistance being provided to civilian law enforcement by the Department of Defense under the recently relaxed posse comitatus provisions. The new provisions permitted certain DoD assets, such as radar systems and aircraft, to be made available in the fight against narcotics traffickers. It also permits certain information gathered by the military to be passed along when it bears on such criminals or their activities.

The Committee found that the haste with which DoD was involved had caused certain planning lapses, and that there was lingering uncertainty regarding policy, but that an ambitious and generally successful start had been made.

Primarily in support of the South Florida Task Force, DoD has employed ships and aircraft in conjunction with U.S. Customs to detect and identify possible smugglers. Customs, using several helicopters on loan from the Army, has enjoyed greater success in apprehending traffickers and seizing their illegal cargos.

The report strongly recommended replication of the task force in other high risk trafficking areas of the United States, and on October 14, 1982, the Administration complied, announcing formation of twelve additional groups.

b. Benefits.—Implementation of military assets in the fight against drugs will certainly increase the efficiency of civilian law enforcement. Current estimates are that efficiency increased dramatically in Florida where it was estimated that seizures increased by over 300 percent.

c. Hearings.—Hearings were held February 22, May 19 and 20, and August 18, 1982, and have been printed.

10. "Maintaining the Network: Rural Telephone Service and FCC Actions," House Report No. 97-922, October 1, 1982, Forty-third Report by the Committee on Government Operations.

a. Summary.—The report found that increasing competition in the telephone industry threatens to undercut this Nation's basic telecommunications policy: universal telephone service at reasonable rates. Restructuring of the telecommunications industry is now taking place at the Federal Communications Commission, in the Congress, in the courts, and in the marketplace. Universal telephone service, particularly in rural areas, is threatened.

The report focused on the activities of the Federal Communications Commission. Significant FCC actions aimed at fostering competition in the telephone industry could, in fact, undercut the policy of universal telephone service by sharply increasing the cost of basic local telephone service during the next five years.

The report raises concerns that increased competition will not result in affordable rates or the maintenance of universal service, particularly in the sparsely populated or rural areas of this country where the cost of providing service is traditionally higher. Further, the FCC has been slow in its attempt to analyze the impact of its decisions on the continuation of universal telephone service at reasonable rates.

Another major issue addressed in the report is the erosion of the authority of the State regulatory commissions over intrastate telephone service. The report found that the FCC has also acted to lessen the legitimate role of the individual state regulatory commission over intrastate telephone service. In at least one instance, the FCC preempted the authority of a State Commission. The report recommended that the FCC should take care not to further diminish the authority of the State Regulatory Commissions over intrastate telehone service in its future proceedings.

The report recommends that the Federal Communications Commission specifically consider the effects of its actions on rural telephone customers and on universal telephone service. The report further recommends that the FCC expedite its comprehensive analysis studying the impact of FCC decision on rural telephone rates and services.

b. Benefits.—Compliance with the recommendations contained in this report would prove beneficial in maintaining universal telephone service at reasonable rates. Sharply increased telephone rates for rural telephone service could be reduced by billions of dollars through responsible FCC actions.

c. Hearings.—Hearings were held April 7 and May 6, 1982, and have been printed.

ENVIRONMENT, ENERGY, AND NATURAL RESOURCES SUBCOMMITTEE

1. "Oversight of the Energy Security Act: Implementation of the Synthetic Fuels Corporation," House Report No. 97-123, May 28, 1981, Second Report by the Committee on Government Operations, Together With Dissenting and Additional Views.

a. Summary.—In June of 1980, Congress passed the Energy Security Act which established the U.S. Synthetic Fuels Corporation to provide financial assistance to aid the development of a synthetic fuels industry. The corporation, which was given an initial appropriation of $6.2 billion, was to be governed by a presidentially appointed and Senate-approved board of directors. A maximum appropriation of $88 billion is possible during the life of the corporation.

Although by definition the corporation is not a Federal executive or independent agency, but a new Federal "entity," Congress placed many restrictions on its operations to make it responsive to the public. These included public disclosure and open meeting requirements, similar to the provisions of the Freedom of Information Act and the Government in the Sunshine Act for other agencies; financial disclosure requirements for directors, officers and employees; and an inspector general with broad authority and responsibility to report to Congress.

In October of 1980, President Carter filled six of the seven director positions by recess appointments. Those directors, led by Chairman John C. Sawhill, began immediately to hire officers, solicit project proposals and otherwise begin the work of the corporation. In January of 1981. President Reagan forced all of the recess board members to resign, leaving the corporation in the hands of the general counsel, who assumed the role of the acting chairman, although he was not a director.

The Subcommittee's investigation of the corporation began in November of 1980 when the board began to set salary levels for its officers of between $80,000 and $175,000. This was done despite a clear mandate in the Energy Security Act that compensation at the corporation was to be kept within Federal limits "to the maximum extent practicable." In addition, some of the salaries exceeding Level I of the Federal Schedule ($69,500), which were required to be given by the board to the President for his approval, were actually sent to the President by the chairman prior to board approval.

In addition, the board approved lavish fringe benefits and a noncontributory, rapidly vesting retirement plan as a further financial reward for its employees. Corporate officers defended the benefits and salaries by comparing the SFC with large private firms and ignoring the source of its funds.

The scope of the Subcommittee's inquiry quickly broadened as it became clear that the initial solicitation for proposals did not follow the requirements of the act, and that officers of the corporation were publicly making policy statements which had never been approved by the board. This situation was exacerbated by the removal of all of the board members by the Reagan Administration, leaving the officers in charge. It was not until late May that a single new director was approved by the Senate.

The five-month investigation of the Subcommittee resulted in findings that almost all aspects of the corporation's initial operations were questionable, either in light of the Energy Security Act or public policy. As the Committee stated:

> These mistakes may have resulted from a misguided emphasis . . . on the speed of action over carefully reasoned policies, policies and decisions . . . the inexperience of some persons within the corporation who came from the private sector and were unable to adapt quickly to their new role as government officials . . . an unexpected months-long hiatus in which the fledging corporation was forced to operate without a board . . . [or] a basic misunderstanding by the board and the officers of the type of Federal entity Congress had created in the SFC.

In its report, the Committee made the following findings:

1. The Corporation made no attempt to stay within the Federal guidelines when setting salaries for either officers or employees, despite the Congressional directive. The private contractor who provided a compensation study was never told to include a comparison of Federal salaries in the study.

2. The compensation figures given to the President for his review and approval did not include the total compensation package. A retirement plan to which the employee did not contribute and which resulted in a cash pay-out after two years of employment was a subterfuge to provide additional, unrecorded compensation to the employees. Even the board never knew the value of the total compensation package.

3. The initial solicitation was seriously flawed because the "set" of solicitations required by law was not issued, nor did it include the general evaluation criteria mandated by the Energy Security Act.

Moreover, although the law required that some kind of competitive bidding process be used to select the recipients of financial assistance, corporation officers—without approval of the board—stated that there would be a single, "open-ended solicitation" for the first four years of the corporation's existence, and that proposals would be compared with whatever else happened to be "on the platter" at any given moment.

4. After the removal of the recess board, the general counsel of the corporation wrongly assumed all of the authorities and powers of the chairman claiming as his basis a by-law giving him the right to assume those powers during the "absence or disability" of the chairman. The chairman was neither absent nor disabled. His posi-

tion was vacant, and a process for filling vacancies was provided in the Act.

5. The general counsel, acting as chairman, improperly raised the salary of a fellow officer. The Energy Security Act gives the right to set officer salaries to the board alone, and it is a nondelegable duty.

6. Hundreds of thousands of dollars were paid by the corporation to outside law firms with the result that, not only was taxpayers' money wasted, but critical, policy-establishing legal work was done by outside law firms without any consideration of the potential conflicts-of-interest that the firms may have had because of existing or potential clients. A second result was that the legal memory of the corporation resided outside of its legal staff.

7. The corporation moved very slowly to implement the open meeting and public disclosure sections of the ESA. Records of its open meetings were sketchy at best; and the by-laws allowed a majority of the board to meet as a "committee" in unnoticed, closed subcommittee sessions. At the time of the Committee's report, no public disclosure guidelines had been approved.

As a result of the subcommittee's findings, the Committee recommended that the new chairman and board of the corporation review in detail the total compensation system to determine if it met congressional directives and report to the subcommittee. Its conclusions should be presented to the President for his approval.

The committee also recommended that the solicitation for proposals either be withdrawn or revised to include the proper evaluation criteria after a thorough review, including the Act's competitive bidding requirements, by the board of directors. Outside contracting of legal services by the general counsel's office should be reviewed for its necessity. It was recommended that the board determine if the conflicts of interest inherent in such contracting had been properly addressed should those law firms subsequently represent clients before the corporation.

A final recommendation was that a public disclosure policy be immediately implemented by the new board; that its meetings be noticed in the *Federal Register;* that transcripts or tapes of the board meetings be kept; and that the by-laws be revised to provide that any committee meetings of a majority of the board members must be publicly announced and open.

b. Benefits.—Because of the mass dismissal of the recess directors in January 1981 the subcommittee had a unique opportunity to effect change and establish its oversight role at the corporation. Even before the report was issued, President Reagan, upon receipt of a letter from nine members of the subcommittee, refused to approve officer salaries in excess of $69,500. All of the officers of the corporation, except one, rolled back their salaries to that level.

Based on the report and meetings between Members and the new directors, the new chairman of the board promised a full review of the compensation system. He also took steps to modify excessive claims that had been filed under a relocation benefit plan, and to limit the per-meal reimbursement for lunches and dinners paid for by the corporation (which had exceeded $90 for two people in one example) and the travel allowance for staff. The officer who had received an improper salary increase returned the excess payment.

One of the first actions of the new board after its confirmation in September 1981 was to modify the initial solicitation to include detailed evaluation criteria. The sponsors of proposals already received were given time to modify their responses, and a second solicitation was issued at the same time.

The new chairman immediately halted the practice of contracting out the corporation's legal work. He also stopped some other ongoing consulting contracts, pending a reevaluation of the corporation's needs. The board approved a policy to provide for competitive bidding for outside contracts, in contrast to the loose, informal selection of consultants under the prior board.

An open meetings policy was adopted by the new board, which provided for the taping of all meetings, and full and complete minutes. The by-law provision allowing a majority of the board to meet as a committee without public notice or observation was deleted, and the public notice of the corporation's meetings was required to be in the *Federal Register,* instead of a private publication.

The roll-back of the officers' salaries, the reduction of expense limits and the dismissal of the outside legal and other consultants of the corporation have saved the American taxpayers hundreds of thousands of dollars in a single fiscal year. More importantly, the corporation's board and staff is now more aware of their responsibilities as a government agency and their accountability to the Congress and the public.

c. Hearings.—The transcript of the hearing held on February 19, 1981, has been printed.

2. "Inspecting Operating Nuclear Powerplants: Shortcomings in the Nuclear Regulatory Commission Program," House Report No. 97-144, June 12, 1981, Fourth Report by the Committee on Government Operations Together With Additional Views.

a. Summary.—The Subcommittee initiated an investigation into the adequacy of the inspection program of the Nuclear Regulatory Commission in November of 1980, because of questions raised about the response of both the NRC and Consolidated Edison after a water spill was discovered in the containment housing of the Unit 2 reactor of ConEd's nuclear plant at Indian Point, New York.

After discovering the water in the containment, ConEd personnel made no attempt to contact the NRC, except to leave a simple phone message, which did not mention the accident, for the resident inspector. Nor did ConEd take any steps to determine if the spill had wetted the reactor (which it had), if it had damaged conduits under the reactor, where the water had come from, or how long it had been in the containment.

Only when the plant's manager for nuclear power generation returned from vacation (after the reactor had been restarted), was an investigation initiated. The reactor was immediately shut down, and a months-long investigation begun by the NRC. In March of 1981, Con Edison was fined $210,000 for specific violations which "directly contributed to the flooding event," and its failure to identify "the potential significance of the flooding on plant operations, evaluate the consequences . . . prior to reactor startup . . . and promptly report the flooding to the NRC."

The Subcommittee's investigation of the Indian Point spill and the NRC's inspection program revealed that the nuclear industry was not uniformly capable of maintaining and operating its plants to prevent unanticipated degradation or breakdown, nor was the NRC capable of sustaining an effective inspector program to assure the public that stringent standards of care were being met by the utilities licensed to operate nuclear plants.

The Subcommittee found that the NRC's routine, basic inspection program, which is designed to see whether utilities are regularly conforming with NRC regulations, was not being completed. At Indian Point, a highly sensitive plant because of its location near New York City, that preventive program was not even one-third completed in 1980. Furthermore, the NRC's highly touted resident inspector program, a major Congressional hope for improving the industry safety record after Three Mile Island, was not fully implemented two years later. The Commission had little actual presence on the commercial reactor sites around the country. Its audit-type inspections cover only a small portion of the activity at these sites and frequently fail to get behind the paper documents of the utility to the actual observation of the licensee's performance of critical operations.

In addition, the earliest initiatives of the Reagan Administration in the nuclear area aggravated the personnel limitations of the NRC's inspection program. The Administration's preliminary hiring freeze thwarted the hiring initiatives of the inspection program. The subsequent employment ceiling had the same effect. Finally, the overwhelming emphasis on speeding up the process of licensing new nuclear power plants drained staff and agency attention from an already inadequate inspection program.

The Subcommittee's investigation revealed that the NRC was even considering shifting inspection personnel to the licensing office to expedite the licensing of new plants, a plan confirmed by Victor Stello, Director of the Office of Inspection and Manpower.

> Mr. MOFFETT. At the same time that you are facing these difficulties, they are talking about speeding up licensing, and that requires manpower. Has the Office of Inspection and Enforcement been asked to provide professional staff from the headquarters organization to assist licensing in expediting its review of pending license applications?
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> Mr. STELLO. I have received such a request and declined the offer to physically move people.
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> Mr. MOFFETT. . . . but haven't you also had to provide extra professional staff to provide duty officer assignments . . . so the NRC duty officers could be returned to expedite plant licensing?
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> Mr. STELLO. At the moment, I have not had to provide that extra staff, but if the condition continues, that very well may be a reality.

Based on the Subcommittee's investigation, the Committee recommended that the NRC provide (1) either written, detailed assurances that it could complete its routine preventative inspection program at all operating reactors in fiscal year 1982 or a statement of why it cannot do so, (2) the additional staff and resources necessary to do so, (3) a list of which inspections would be completed and (4) a statement regarding how priorities in inspection would be set.

The Committee also recommended that the comparative sensitivity of various operating sites be assessed and inspector effort allocated accordingly; that the NRC not divert staff from the inspection and enforcement program to the licensing program; that the duty hours of resident inspectors be staggered to maximize presence at the plants; that half of their time be spent in actual observation of operational activities; and that the NRC make it clear to licensees that their responsibility to operate plants safely requires an on-going effort to upgrade their facilities and procedures in accordance with "state-of-the-art technology," not merely to meet specific NRC regulations.

b. Benefits.—The NRC submitted reports to the Subcommittee in keeping with the Committee recommendations. The principal recommendations of the Committee report were accepted by the NRC, and work has begun to implement them. Specifically, the NRC has restructured its overall routine inspection program to place priority on those inspection tasks most intimately linked with safety concerns. With respect to the resident inspector program, the NRC has moved to deploy resident inspectors in a manner recommended by the Committee with highly sensitive sites such as Indian Point receiving enhanced attention.

Indian Point is slated to have four resident inspectors, rather than the single inspector there at the beginning of the time period examined by the Subcommittee investigation. The NRC disagreed, however, with the Committee recommendation that a minimum of two resident inspectors be placed at all operating sites. In keeping with the Committee recommendations, inspection personnel were not to be diverted from the inspection effort into the operating licensing effort.

Taken together, these actions constitute a distinct improvement in the overall performance by the NRC of its major statutory mandate: overseeing the operation of commercial nuclear power plants to insure the public health and safety.

While it is difficult to place a precise dollar value on such improved safety efforts, it bears noting that even a single nuclear accident, such as the one at Three Mile Island in March 1979, will eventually cost the taxpaying and ratepaying public some three billion dolars.

c. Hearings.—The transcript of the hearing held on March 5, 1981, has been printed.

3. "Impact of Administration Policies on Department of Energy Enforcement of Oil Pricing Regulation," House Report No. 97-145, June 12, 1981, Fifth Report by the Committee on Government Operations, Together With Dissenting and Additional Views.

a. Summary.—One of the first actions of the Reagan administration was the decontrol of oil prices. This move ended a decade of various controls on the prices paid by consumers for oil products, but not the responsibility for enforcing past oil price control violations vested in the Department of Energy. The Subcommittee's report examined a series of budgetary and regulatory actions proposed by the Reagan administration which, taken together, would have the effect of severely reducing the capacity of DOE's prosecutors to litigate billions of dollars in claims resulting from past oil price overcharges already alleged by the department. These claims were based on its extensive audit and investigative work.

The first administration proposal reviewed in this report was the 80 percent budget cut for DOE's Office of Special Counsel, the office responsible for enforcing oil price regulations against the 35 largest oil companies. The budget for that office in Fiscal Year 1981 was $36.1 million. Former President Carter recommended $29 million for that office in Fiscal Year 1982. The budget was reduced to $6 million in the Reagan administration's proposed 1982 budget.

According to testimony by Paul L. Bloom, DOE's former special counsel, the administration's proposed budget cuts would result in the loss of approximately $2 billion in recovered overcharges, although it "could be substantially higher." A document prepared by the acting special counsel stated that, under the proposed budget, "new enforcement actions will not be initiated even when substantial violations have been discovered. Continued litigation of existing cases will be confined to those in which substantial progress can be made by year end fiscal 1982." Over two-thirds of the identified violations were never pursued, a conclusion supported by both the acting administrator of DOE's Economic Regulatory Administration and its general counsel. Both of those officials and the acting special counsel had recommended budgets three to four times the administration's proposal for the enforcement effort.

The second action analyzed in the report was the Reagan administration's February 23, 1981 decision to review the applicability of the "V-factor." The V (as in volume) factor was a DOE pricing regulation first promulgated in 1974 to allocate increased crude oil costs among price-controlled petroleum products, such as gasoline and home heating oil. The V-factor was basic to the petroleum price control system in effect from 1974 to January 1981, when controls were lifted. The Reagan administration decision to consider the possible rescission of the V-factor would destroy DOE's ability to pursue billions of dollars of alleged oil pricing violations which occurred during the price control period while the V-factor was in effect. The cost to the consumer of a change in the V-factor rule would have been significant. According to a report submitted by DOE to the Subcommittee, eight major oil companies, in response to a 1980 Federal court decision striking down the V-factor on procedural grounds, claimed an additional $11 billion in increased costs for controlled products. Such a shift in allocations would undercut many of the overcharge allegations.

In January of 1981, the department, after a rulemaking to remedy the procedural defects, retroactively reinstated the V-factor, but the oil companies began to pressure the new administration to withdraw it. A memorandum from Charles DiBona, president of the American Petroleum Institute, to President-elect Reagan listed as a "high priority issue" the elimination of the V-factor. Two of the authors of the DOE transition team report, which recommended that the V-factor rule be given immediate attention, represented oil companies accused of illegal pricing violations. On February 23, 1981, DOE decided to formally review the V-factor rule.

The Committee found that the proposed 80 percent fiscal 1982 budget reduction for DOE's Office of Special Counsel would severely limit the government's ability to prosecute past oil pricing violations by the nation's 35 largest oil companies. Specifically, this proposed cutback would render the Office of Special Counsel incapable of pursuing $7 billion in identified pricing violations by major oil companies in fiscal 1982 to the detriment of U.S. oil consumers.

Furthermore, the report found that the administration's announced decision to review the V-factor at the urging of the oil industry was ill-conceived and raised serious questions concerning the politicization of the regulatory process. Taken together, the proposal to underfund the enforcement effort and eliminate the V-factor displayed a fundamental disinterest in pursuing past oil pricing violations and was suggestive of a grant of amnesty to the major oil companies.

The report recommended that Congress ignore the administration's proposed budgetary reduction and provide adequate funds for a vigorous enforcement effort. Furthermore, the report recommended that DOE not abandon the V-factor regulation, given the direct link to the continued enforcement of oil pricing violations.

b. Benefits.—Because of specific budget action by Congress, the Fiscal year 1982 DOE appropriations bill, which was signed by President Reagan, almost quadrupled the budget for the Office of Special Counsel. This budget should privide for a more vigorous enforcement effort which will put billions of dollars into the coffers of oil consumers, of which a not insignificant number are agencies of the Federal government.

Furthermore, in October 1981, R. Tenney Johnson, DOE's general counsel, informed the Subcommittee that the department would not abandon the V-factor regulation, but would continue to apply it in all past oil price overcharge litigation. Once again, the effect of this decision, which was obviously prompted by the Committee's critical review, should be to save billions of dollars for oil consumers.

c. Hearings.—Hearings were held on February 23, March 11 and March 25, 1981. The transcripts of those hearings have been printed.

4. "Licensing Speedup, Safety Delay: NRC Oversight," House Report No. 97-277, October 20, 1981, Ninth Report by the Committee on Government Operations Together With Additional Views.

a. Summary.—Throughout 1981, the most prominent catchword in the national debate over nuclear power was "delay." Utilities investing in nuclear power and their supporters marshaled fact sheets and economic analyses to support their contention that the nuclear industry has been delayed needlessly by the oppressive licensing regulations and procedures of the Nuclear Regulatory Commission. Specifically and repeatedly, the NRC had been charged with delaying the operations of 13 new nuclear plants by up to 104 months.

This report explored those contentions. The Subcommittee's investigation was initiated in June of 1981 when it became apparent that, in an attempt to eliminate the alleged "delays," the NRC was deemphasizing its nuclear safety programs in favor of an expedited licensing program. Personnel and priorities within the agency were beginning to be shifted, and a move was made to limit greatly the participation of citizen intervenors in the licensing process.

The report disclosed that one of the basic fallacies in the contention that the NRC was delaying the start up of new plants was that the completion dates upon which the "delays" were calculated were nothing more than the original *projected* times of completion supplied by the utilities. Those utility projections historically have been notoriously overly optimistic; design and construction-related "slippage" has been the rule rather than the exception as has the failure to timely resolve vital safety questions.

For example, the Committee found that the principal reason for delay in the NRC licensing of the Diablo Canyon reactor was the safety-related problems resulting from siting of a reactor near a significant earthquake fault. Between March and November of 1981, the NRC had reduced from 104 to 2 months its estimate of "licensing-caused" delays. And, as the months decreased, so did the costs attributed to those so-called delays.

In addition to the familiar industry exaggerations of costs and construction timetables, the Department of Energy found when it began compiling cost figures for the NRC that the utilities had been including the capital carrying costs in calculating the "costs" of delay. Based on the more accurate DOE figures and more realistic completion dates, these costs too dwindled to less than one-tenth of the $2 to $3 billion cited by industry. Indeed, the final "cost" both in terms of dollars and time may be even less, since as NRC Commissioner Peter Bradford pointed out at the Subcommittee hearing, the numbers represent a "best estimate . . . The numbers are written in sand and they will change."

Further, in examining each of the 13 plants allegedly delayed, the report disclosed that the utilities have experienced a wide range of problems causing delays which are unrelated to the NRC licensing process. The plants were plagued by inadequate internal quality assurance programs which led to costly and time-consuming construction errors, numerous questions concerning plant design and emergency evacuation plans, difficulty in obtaining parts, and labor disputes.

The report concluded that the NRC efforts to correct the "delay"—limiting the procedural rights of intervenors, reducing the commissioners' role in licensing and creating a new interim low-power licensing authority—are largely unnecessary in light of the Committee's findings regarding the alleged delay. Further, the report determined that those actions will certainly damage the public faith in the NRC as a champion of public health and safety and, even more importantly, have already been detrimental to the NRC's safety-related programs, many of which grew out of the lessons learned from the Three Mile Island accident. Earlier investigations and reports by the Committee had pointed out that those essential safety programs were already behind schedule. The current emphasis on licensing would only exacerbate the problem.

The Committee recommended that the NRC review, in light of the report's analysis findings and conclusions, its plan for restrictions on intervenors and delegating the commissioners' reponsibility of licensing decisions to licensing boards.

In addition, the report recommended that, since there appears to be virtually no delay attributable to the NRC licensing process, interim licensing authority is not necessary and should not be utilized. The Committee suggested that if the interim licensing authority were used, it be used only by the commissioners themselves.

Finally, the Committee recommended that the NRC report to the Committee setting forth a timetable for completing the safety-related programs. For those programs likely to be incomplete as of December 31, 1981, the report should describe actions planned by the NRC to expedite the delayed safety programs. The NRC should then report monthly to the Committee on the actions taken and the progress being made to expedite and implement the safety programs.

In addition, the NRC is to report to the Committee on the status of emergency planning programs at operating plants and what efforts the NRC plans to ensure speedy compliance with emergency planning regulations.

b. Benefits.—The need for the NRC to report to the Committee on the status of safety-related programs impresses on the agency the need to place a high priority on those programs essential to the public health and safety. The monthly report also stimulates the NRC to produce results in completing the long-overdue safety programs. The report submitted to the Committee on the implementation of emergency planning programs focused NRC attention on those important programs which have already slipped behind and will motivate the agency to take the necessary action against those utilities which remain in noncompliance. The agency has already taken a number of steps toward accomplishing those goals and additional remedial actions are anticipated in the near future.

While the NRC has been given the authority by Congress to issue interim operating licenses, that authority is restricted to sites at which there is a finding of *actual* delay and it is an authority to be exercised solely by the commissioners themselves. Both those limitations mirror recommendations contained in the Committee report.

Again, the primary dollar benefit to taxpayers arises from the increased protection from costly and dangerous nuclear accidents which they can expect from the NRC, at no additional budgetary cost, based on the NRC's implementation of many of the Committee's recommendations. In addition, subsequent to the issuance of the Committee report, NRC monthly reports to the Congress indeed indicated that the Committee conclusions about industry exaggeration of regulatory delay had been correct. As a consequence, the major deployment of manpower and resources within NRC to meet the "delay problem" has now properly been averted, eliminating a potentially wasteful and needless expenditure of NRC budgetary resources.

c. Hearing.—A hearing was held on June 18, 1981. The transcript of that hearing has been printed.

B. OTHER INVESTIGATIONS

LEGISLATION AND NATIONAL SECURITY SUBCOMMITTEE

1. Review of the Efforts To Improve the Security of U.S. Personnel, Property and Information Overseas.

a. Summary.—The subcommittee continued its review of the efforts to improve the security of U.S. personnel, property, communications and information overseas. The purpose of this review is to determine if U.S. security needs overseas are being given adequate attention in the most effective and efficient manner.

The subcommittee asked the GAO to assess how the United States can more effectively provide security measures at its posts and offices overseas, for its personnel, property and information including the coordination and cooperation among U.S. agencies having responsibilities for overseas security, as well as coordination of efforts between the various offices within the Department of State which have major responsibilities in this area.

A report was issued by the GAO on September 30, 1982, which addressed the specific concerns of the subcommittee. The subcommittee is continuing its review of the areas addressed in the report.

b. Benefits.—Closer cooperation and coordination between the State Department and other agencies involved should result in enhanced security at U.S. embassies and offices overseas. In addition, it could eliminate duplication and encourage the joint use of equipment and facilities which would result in substantial monetary savings.

c. Hearings.—A hearing was held on March 24, 1981. Because of the sensitivity of the subjects discussed, the transcript will not be printed.

2. The Impact on the Small Business Administration Section 8(a) Program on Federal ADP and Other High Technology Procurements.

a. Summary.—Section 8(a) of the Small Business Act (P.L. 95-507) is designed to help socially and economically disadvantaged businesses become more competitive. Under this program, Federal agencies set aside a portion of their procurement contracts for disadvantaged small businesses through contracts with the SBA. The

SBA provides management, technical, marketing, and financial assistance with the goal of enabling these firms to eventually compete in the open marketplace.

During the subcommittee's general oversight of ADP procurement practices within Federal agencies, it was observed that over the last several years an alarming number of sole source procurements were being made under the guise of the Section 8(a) program. It was apparent that Federal agencies were using this program to circumvent Federal procurement policies which were designed to promote full and open competition in ADP procurements.

As a result, the GAO was requested to conduct a detailed investigation of the SBA's Section 8(a) program to determine whether (1) Government ADP procurement opportunities are available to as many qualified small business concerns and minority or underprivileged firms as can meet the needs of the Government, and (2) contractors are required to follow Federal procurement policies and regulations when acquiring ADP goods and services for the Government.

The evidence present during the subcommittee's two days of hearings painted a grim picture of a program which has been overtaken by waste, fraud, and abuse.

Unfortunately, the objective of helping minority small businesses become viable firms in the open marketplace is not being achieved. Congress, over the years, had dedicated substantial sums of public money to this program to assist legitimate minority small business firms. Instead, what occurred was the manipulation of the program by a few contractors for their own economic benefit. SBA and other Federal agencies appeared to be willing participants. Because of this gross mismanagement and the lack of dedication to achieving the true objectives of this management program, the benefits were being siphoned off before they could get to the legitimate beneficiaries which Congress intended to help.

One specific example of such abuse was presented by the GAO. SBA awared a five-year, $44 million contract to Arcata Associates, Inc., of California, in October, 1980, to fulfill work requirements with the Army's Combat Development Experimentation Command (CDEC). The contractor was responsible for the operation and maintenance of complex measurement equipment and also for the testing of sophisticated weapons systems under simulated combat conditions.

The evidence present during the hearings indicated that Arcata was not technically qualified to receive this CDEC contract and, in fact, subcontracted a major segment of the highly technical work to a large corporation. Further, there were serious indications of potential fraud by the contractor and SBA officials in the award of this and other contracts. SBA's Inspector General has turned several of these matters over to the Justice Department for possible criminal prosecution.

b. Benefits.—It is an established fact that full and open competition results in substantial economies in Federal procurement. In the ADP area alone, a 30 to 70 percent discount is routinely achieved. Due to SBA's mismanagement of the SBA 8(a) program, Federal agencies were allowed to acquire sole-source hundreds of millions of dollars worth of ADP equipment by using 8(a) contractors as a front. This practice not only cost the Government substantial sums of money in lost discounts, but in many cases the agencies ended up paying substantially more than the commercial list prices.

GAO's cost comparison of serveral 8(a) ADP equipment contracts showed that the added cost for these procurements was about 18 percent over and above what it would cost at commercial rates without discounts.

c. Hearing.—Hearings were held on April 7 and 29, 1981. The transcript has been printed.

3. AID's Administrative and Management Problems in Providing Foreign Economic Assistance.

a. Summary.—The subcommittee continued its oversight review of the programs and operations of the Agency for International Development in providing economic assistance to developing countries throughout the world. For several years the subcommittee has been concerned about the need to assure the efficient and effective operations of U.S. agencies operating overseas. Subcommittee hearings in February 1980 and June 1980 specifically focused on AID management problems and audit resources.

This most recent review focuses on the $5.1 billion in obligated but unspent AID project funds; the project planning, design and approval processes; project monitoring and evaluation; and the internal audit capability of AID.

b. Benefits.—It is not possible to state what specific monetary savings will result from this review. However, a spending "pipeline" of $5.1 billion is clearly evidence of poor internal management practices. Improvements in AID's project planning, design and approval processes will undoubtedly result in substantial benefits, such as reducing the time between project design and final completion.

c. Hearings.—A hearing was held on October 6, 1981. The transcript has been printed.

4. Implementation of the Paperwork Reduction Act of 1980 (Public Law 96-511).

a. Summary.—The Paperwork Act was signed into law by President Carter in December, 1980. The objectives of the law are to minimize the Federal paperwork burden imposed on the public, reduce governmental redtape, increase productivity and improve services to our citizens. If properly implemented the Paperwork Act will save billions of dollars and make the Government more responsive to the taxpayers.

Because of concern by this subcommittee that P.L. 96-511 was not being properly administered, the General Accounting Office was asked to undertake an investigation to determine if the law was being properly implemented by the Office of Management and Budget (OMB) and the agencies. The results of GAO's review clearly show that OMB has failed to fulfill its important responsibilities. Despite the tremendous benefits that can be obtained from this legislation, OMB has apparently opted for a policy of "minimal compliance" with the law.

Clearly, the urgent need to implement the Paperwork Reduction Act has been amply documented over the last decade. Inefficiencies in current Federal information practices threaten to reduce drastically the effectiveness of the Government, while at the same time drowning our citizens in a sea of forms, questionnaires, and reports. Yet, it appears that OMB has lost sight of the full range of benefits that could be derived from this legislation. Further, OMB has not provided the type of visible and forceful leadership that is necessary to ensure that the Paperwork Act is properly administered. Without this leadership, the benefits of P.L 96-511 will not be realized.

Equally dismaying was OMB's refusal to allow the GAO proper access to the necessary documentation to adequately perform its investigation. From the start of the review in May 1981, GAO was delayed or denied access to even the most basic forms of documents.

b. Benefits.—In 1977, the Commission on Federal Paperwork estimated that Federal paperwork had an annual cost of $100 billion. The goals established in this legislation mandate that Federal agencies reduce this burden 25 percent by October 1982. As a result, if properly implemented, it is estimated that at least $25 billion could be saved. Unless OMB properly implements the law, these substantial opportunities for improving Government operations will be lost. This is particularly true in the area of promoting more efficient and effective use of information technology in Federal programs.

c. Hearings.—A hearing was held on October 21, 1981. The transcript has been printed.

5. Oversight of the General Accounting Office.

a. Summary.—As an investigating and auditing arm of the Congress, the GAO is a primary agent through which the legislative branch conducts oversight of executive branch programs and expenditures. Congress relies both on the GAO and on the Comptroller General to assure that (1) funds are used for their intended purposes, (2) agency resources are managed efficiently and economically, and (3) programs are achieving the objectives set forth by the law. In performing this mandate, the GAO not only provides Congress with essential information about Federal programs, but, uniquely exercises statutory authority to participate directly in the oversight process as an independent congressional entity.

As the magnitude and complexity of the issues facing the Congress have increased, Congress has become more dependent on GAO's assistance in carrying out its oversight and legislative responsibilities. In response, Congress has redirected GAO's activities from its traditional finance and accounting functions to assessments of economy, efficiency, and effectiveness of Government programs. This transition has not been altogether smooth. While GAO continues to issue helpful reports, concern has been raised by committees of Congress regarding the quality and timeliness of GAO's services to the Congress.

In June 1978, the Select Committee on Congressional Operations issued a report on the "General Accounting Office Services to Congress—An Assessment" (Report No. 95-1317). The report concluded that the lack of timeliness in providing services to the Congress was attributable to the lengthy and sometimes cumbersome procedures used in the preparation and review of draft GAO reports. The subcommittee's hearings revealed that this problem has yet to be resolved. In fact, the time required by GAO to respond to Congress has actually increased.

Of equal importance, the evidence presented in the hearing clearly shows that action must be taken by GAO to improve the quality of its reports. This would include improving responsiveness of GAO to the needs of Members and committees and eliminating duplicative and conflicting reporting. Additionally, problems were identified concerning the bid protest function, personnel matters and the need to enhance GAO's capability to review the use of computer technology by the executive branch agencies. Finally, in order to improve its internal operations, GAO needs to reduce administrative paperwork and redtape burdens which have encumbered its operations.

b. Benefits.—It is essential that GAO, in carrying out its responsibilities, be given proper support and direction to insure its responsiveness to the Congress. These hearings provided an excellent opportunity to discuss with the new Comptroller General the concerns that have been raised and to determine what actions are needed to improve GAO's performance.

c. Hearings.—A hearing was held on November 19, 1981. The transcript has been printed.

6. Alleged Favoritism in DOD Computer Procurement Policies.

a. Summary.—The Department of Defense plans to implement a proposed regulation (DOD Instruction 5000.5X) which will require that the military departments buy their tactical computers only from vendors who are willing to give the Government full and clear data rights to their architectural designs. Further, only those companies that are approved by DOD would be allowed to compete. Since the use of embedded computers is expected to grow to about $38 billion by 1990 from its current budget of $4.1 billion, the effects of a decision to implement the proposed regulation are far-reaching.

Because of the tremendous impact such a regulation would have on DOD and the computer industry, the committee asked GAO to conduct an immediate investigation to determine: (1) the effect this regulation would have on the use of competition in DOD, (2) what the effect would be on the current computer industry, (3) whether such action would lock DOD into obsolete technology, (4) whether commercial off-the-shelf computers are currently available that could satisfy DOD's major needs for embedded systems, and (5) at what level standardization should occur.

During the hearings on the proposed policy, the subcommittee heard from witnesses representing almost 2,000 computer and high-technology companies who questioned the DOD action on the grounds that (1) the policy would guarantee obsolete technology for DOD, (2) it will result in a serious weakening of our defense capabilities, and (3) it would undermine this country's technological lead around the world. The witnesses further questioned the objectivity and the integrity of DOD's position suggesting that there may have been a serious conflict of interest by members of the defense panel which is promoting the instruction.

As a result of GAO's extensive and thorough review of this policy, the Comptroller General confirmed these findings and strongly recommended against the issuance of the policy. Further, the GAO referred the possible conflict of interest case against seven members of the Defense Science Board task force which reviewed the policy to the Justice Department for possible criminal prosecution.

b. Benefits.—The implementation of a policy which backs one defense establishment into the use of inferior and obsolete technology would seriously undermine our defense capabilities around the world. Further, such a policy would waste billions of dollars in excessive research and development costs. It would also lock out those companies in the private sector which are the most innovative and better able to meet DOD's technical needs.

c. Hearings.—Hearings were held July 21, 26, and August 4, 1982. The transcript has been printed.

7. Review of the Misuse of Government-Owned and Leased Passenger Aircraft.

a. Summary.—The subcommittee reviewed the management of Government-owned and leased passenger aircraft and found that Government officials are wasting millions of dollars flying in government-owned aircraft, often accompanied by their spouses or other relatives, when more economical transportation is available. An examination of a limited number of individual flights over a period of a few months disclosed that agencies could have saved $2.8 million by using readily available commercial aircraft.

In addition, Government aircraft often fly empty to pick up Government officials. In DOD alone, it was revealed that $1.6 million was wasted on dead-leg flights during 20 randomly-selected days in the first quarter of 1982. On an annualized basis, these empty flights would have cost $28 million.

A major part of the problem is the lack of Government-wide regulation on the use of passenger aircraft.

b. Benefits.—By restricting Government aircraft to emergency travel, carrying of classified documents, and group travel, millions could be saved. The hearing pointed out the possibility of substantial savings by the utilization of commercial aircraft instead of Government aircraft.

c. Hearings.—A hearing was held on September 23, 1982. The transcript has been printed.

8. Review of Army's Automated Facilities Engineer Cost Accounting System.

a. Summary.—The subcommittee began a review of the facilities engineer job order cost accounting system to determine whether recommendations for improved use of the system, made by the GAO two years ago, have been implemented. The subcommittee is concerned about the high cost of developing and implementing a system which may not be adequately supported at the command level. While some of the GAO recommendations are being implemented, the subcommittee learned that others have not received action. The Army is in the process of purchasing new computer equipment, which will result in a totally different system than is currently in use. Installation of the equipment is expected to begin in March 1983.

The subcommittee will continue to monitor this project to determine its effectiveness, and to determine whether new programming is provided in a timely fashion, whether staff is adequately trained, and whether the system is used as anticipated.

b. Benefits.—While dollar savings are not readily visible as a result of this review, it is anticipated that congressional interest will result in more efficient management and better use of the facilities engineer job order cost accounting system.

c. Hearings.—No hearings were held on this subject.

9. Review of Military Contracting Officers' Use of Questioned Labor Rate Increases.

a. Summary.—The subcommittee, as part of its general oversight of DOD, is reviewing labor rates paid under defense contracts. As part of its review the subcommittee is examining audit reports by the Defense Contract Audit Agency. Some reports have concluded that the DOD is paying significantly higher labor rates than private industry or the Federal Government.

b. Benefits.—The audit reports reviewed allege that the DOD is paying as much as $150 million a year in excessive labor rates. Savings to the Government cannot clearly be determined at this point, however, and will be realized only following a reduction in the planned labor rate increases.

c. Hearings.—No hearing has been held or scheduled at this time.

10. Review of DOD Efforts To Prevent Reimbursement of Contractor Lobbying Expenses.

a. Summary.—The subcommittee began a review of DOD efforts to prevent reimbursement of contractor lobbying expenses. Subcommittee concern about the practice was expressed by the Chairman to appropriate Administration officials, and the DOD issued new criteria to define lobbying, indicating that such lobbying, as defined, would not be covered for reimbursement by the Government. Later, the Secretary of DOD issued another narrower definition of lobbying activities.

b. Benefits.—Savings in this area should be significant as funds, previously charged to the Government as a pertinent part of contract costs, are disallowed for payment by the Government.

c. Hearings.—No hearings were held on this subject.

11. Review of the Proposal for a Uniform Federal Procurement System.

a. Summary.—The subcommittee is reviewing a model legislative proposal for a uniform Federal procurement system. The current statutory base is outdated and fragmentary; regulations are voluminous and complex; meaningful standards of performance are lacking; authority and responsibility for acquisition are not clear; and there is almost no accountability for results. Too many contracts, especially by DOD, are awarded noncompetitively, resulting in cost overruns during performance. The subcommittee will work toward an effective, efficient, and uniform contract award system which will assure full and free competition.

b. Benefits.—Federal procurement is a $110 billion a year expenditure involving one-fifth of the Federal budget. Another $30 billion is spent on procurement under assistance programs. As much as 25 percent of the Federal procurement budget may be saved by effective and efficient procurement methods that contain full and free competition.

c. Hearings.—No hearings have been held.

12. Review of Naval Procurement of Submarine Components.

a. Summary.—The subcommittee conducted a review of the Navy's planned procurement of ten radar units for its SSN-688 Class Submarines. The review sought to establish whether justification was present for the procurement to proceed upon a sole source basis.

In response to the subcommittee's inquiry, a Navy review indicated that justifiction did exist for the sole source procurement for six of the units, but that no support existed for a sole source procurement of the remaining four units. Upon its decision to hold competition for the award of the contract for those 4 units, the subcommittee concurred with the action and terminated its review without hearings.

b. Benefits.—Potential financial benefit exists in the use of a competitive bidding procedure for the award of a contract for the four units.

c. Hearings.—No hearings were held.

13. Review of the Navy's High Frequency Improvement Program.

a. Summary.—The subcommittee reviewed contracts awarded and construction performed under the Navy's High Frequency Improvement Program. The focus was on sole-source construction contracts. The review disclosed the violation of the Antideficiency Act.

b. Benefits.—While there are no specific monetary benefits from this investigation, it should result in stricter scrutiny over contract awards in the Navy.

c. Hearings.—No hearings have been held.

14. Review of Audit Quality in the Audit Resolution Process.

a. Summary.—In continuing its active role to improve the quality of governmental auditing, the subcommittee is undertaking a review of the quality of audits performed by Federal departments and agencies. Emphasis will be placed on evaluating the quality of auditing to determine if auditors are overstating questioned costs as an expedient to completing their work.

At the request of the subcommittee, GAO is engaged in a study which is expected to determine why there is such a large disparity between questioned costs and the amounts agencies disallow.

b. Benefits.—No estimate of potential monetary benefits can be made at this time.

c. Hearings.—No hearings have been held.

15. Review of Unvouchered Expenditures at the Department of State.

a. Summary.—Section 101 of the General Accounting Office Act of 1980 (P.L. 96-226) amended Section 117 of the Budget and Accounting Procedures Act of 1950 (31 U.S.C. 67) by adding new authorization (subsection (f)(1)) which authorizes the Comptroller General to audit unvouchered expenditures.

The Department of State was authorized for fiscal year 1981 $5 million in its unvouchered account, "Emergencies in the Diplomatic and Consular Service." The Legislation and National Security Subcommittee asked the GAO to review expenditures made from this account. The GAO is required to report to the Congress only discrepancies in the account. Accordingly, in a report dated March 23, 1982, the GAO reported questioned expenditures totaling about $137,780, which could not be resolved with officials of the Department of State.

GAO expressed concern about the lack of congressional direction in the use of this account. Since current law gives discretion to the Secretary of State as to matters appropriate for unvouchered expenditure, the subcommittee called these unresolved findings to the attention of the appropriate legislative committees and furnished those committees copies of the State Department's explanation for the questioned expenditures, some of which are clearly not "unforeseen emergencies."

b. Benefits.—Monetary savings could result from reviews of unvouchered accounts in that erroneously included expenditures may be reimbursed and greater care is given to assuring that unvouchered expenditures are authorized by law. Specific dollar savings, however, are indeterminable.

c. Hearings.—No hearings were held on this subject.

16. Review of the Management of the National Flood Insurance Program.

a. Summary.—A preliminary audit by the General Accounting Office, required by statute, revealed that the accounts of this program could not be verified owing to poor accounting practices and non-existent controls. The subcommittee sought to determine what changes would be necessary in order to put the accounting system for the program on a sound basis and what losses, if any, had occurred as a result of poor practices. The GAO recommended that the Federal Emergency Management Agency institute several alterations in bookkeeping designed to bring full accountability over the funds in the program. It also found, within a high degree of probability, that no losses of funds occurred because of poor accounting.

b. Benefits.—The changes proposed by the GAO, if implemented, will probably render the accounts of this program verifiable in future audits. The controls over funds resulting from the inquiry reduce the potential for future losses. The interchange between the subcommittee and the agency has emphasized congressional interest in sound accounting practices within all programs administered by FEMA.

c. Hearings.—No hearings are anticipated at this time.

17. Review of Planning for Evacuation of Areas Threatened by Hurricanes.

a. Summary.—This review is seeking to determine the current situation regarding plans to avoid a major loss of life from a hurricane striking the Gulf and Atlantic Coasts. Although implementation and design of plans are basically local functions, certain responsibilities have been given the Federal Emergency Management Agency. The inquiry is examining FEMA's performance to determine whether it is providing adequate aid and coordination to the efforts of state and local officials. The inquiry is also seeking to evaluate other tools provided the local jurisdictions by the Federal Government.

b. Benefits.—The review seeks to focus attention on a problem affecting the safety of coastal residents. Dollar savings will not be immediately evident; however, it is anticipated that some potential improvement in the planning process may occur as the result of the review. This could, in the event of a hurricane striking an affected area, cause substantial savings of money and of lives.

c. Hearings.—No hearings have been held.

18. Inquiry Into Staffing Levels of the U.S. Fire Administration.

a. Summary.—At the request of a Member of Congress, the subcommittee initiated a review of the staffing levels of the U.S. Fire Administration following an effort by the OMB to dismantle that agency through non-budgeting. Despite the OMB efforts, Congress appropriated funds for the agency. Because of the uncertainty about the continuance of the agency, however, some of the staff had already resigned their positions.

Although the agency is now only about half-staffed, the subcommittee has been assured that plans to bring staffing up to the authorized level are in process and that hiring is anticipated despite the absence of an administrator.

The subcommittee will continue to monitor this situation to assure that congressional intent is carried out.

b. Benefits.—Benefits will accrue to the country through the implementation of programs authorized by the Congress.

c. Hearings.—No hearings were held on this subject.

19. Review of the Air Force's Lease of UH-1 Helicopters to the State of California.

a. Summary.—The subcommittee sought answers to questions relating to the lease of twelve UH-1 helicopters to the California Department of Forestry. The review sought to determine whether the lease either enhanced "national security" or was otherwise "in the public interest" as mandated by the Military Leasing Act (10 U.S.C. 2667), since the transaction brought no monetary return to the Government. The Air Force agreed that leases in the nature of a loan should be rare occurrences under the act. No hearings are planned in anticipation that the action will remain an isolated anomaly.

b. Benefits.—Benefits expected to result from this investigation include the inhibition of future transactions with speculative benefit to the public treasury.

c. Hearings.—No hearings have been held.

20. Review of Proposed Sales of Property in Air Force's Heavy Hammer/Heavy Press Program.

a. Summary.—The subcommittee in conjunction with the Subcommittee on Government Activities and Transportation, undertook an oversight review of the efforts of the General Services Administration to sell certain land and industrial equipment used in the Air Force's heavy hammer/heavy press program to the lessees of the facilities. The review focused on Air Force leasing practices which had an impact on completion of these sales within the statutory dictates of Section 203(e)(6) of the Federal Property and Administrative Services Act of 1949, as amended (40 U.S.C. 484(e)(6)). The review of the proposed sale of equipment to Martin-Marietta Company disclosed that the GSA's ability to consummate a sale at an appraised "fair market value" had been compromised by Air Force lease provisions favorable to the contractor. It also disclosed a lack of communication of policy interests between the Air Force and the GSA. A proposed sale of the property by the Air Force without the concurrence of the GSA was withdrawn while a review of the proposal's compliance with the statute was pending.

The review has fostered a dialogue between the Air Force and the GSA on the interests of both embodied in sales of this property. Continued subcommittee monitoring is directed toward full implementation of the Federal Property and Administrative Services Act of 1949, promotion of a healthy defense industrial base, and elimination of harmful Air Force leasing practices.

b. Benefits.—While no specific monetary benefits have derived from this investigation, it has engendered improved communication between the Air Force and the General Services Administration on the subject of sales of special properties.

c. Hearings.—No hearings have been held.

21. Inquiry Into the Use of Dedicated Vehicles by the Department of State.

a. Summary.—The subcommittee has initiated a review of the use of dedicated vehicles by the Department of State. Dedicated vehicles are chauffered automobiles for transporting specific officials. Such automobiles can be used for home-to-office-to-home transportation at the discretion of the official. The subcommittee is seeking to determine the number of such vehicles in use, the personnel to whom they are assigned, the justification for such use and whether disciplinary action should be recommended or whether new legislation is necessary to end any abuses.

b. Benefits.—It has been estimated that each dedicated automobile costs the Government about $30,000. Eliminating inappropriate and perhaps illegal use of such vehicles at the Department of State could result in significant savings.

c. Hearings.—No hearings have been held on this subject.

22. Review of Navy Rating of Members of Congress.

a. Summary.—This review seeks to evaulate the use by the Navy of an index designed to rate Members of Congress on a numerical scale based on how the Members voted on certain legislation affecting the Navy and the Department of Defense. The review seeks to determine the extent and longevity of the rating system which the Navy had been using, as well as the Navy's rationale for its use. The inquiry is also evaluating the Navy's reactions to the discovery of the system.

b. Benefits.—The inquiry, should it prevent the expenditure of funds to promote the political activity in question, will save the Government an undetermined amount of money.

c. Hearings.—No hearings have been held.

23. Review of Questionable Lobbying Efforts on C-5 Air Transport.

a. Summary.—The subcommittee inquired into the use of Department of Defense personnel, machinery, and other resources in behalf of a lobbying effort designed to induce Congress to select one contractor's product over another's. The inquiry sought to establish the facts of the situation in order to allow an evaluation of the Department's approach to its relationship with contractors' business campaigns in advance of congressional approval of a procurement. Certain information developed by the General Accounting Office in a review conducted at the request of the committee has been referred to the Department of Justice.

b. Benefits.—The inquiry has fostered a dialogue between the department, the committee, and other interested parties concerning the proper role of Government agencies in lobbying efforts.

c. Hearings.—No hearings have been scheduled.

24. Review of the Discrepancies Between GAO and the Summary Reports by the President's Council on Integrity and Efficiency of the Activities of Inspectors General.

a. Summary.—In its second summary report of inspectors general activities addressing fraud, waste and abuse, covering the second half of FY 1981, the President's Council on Integrity and Efficiency reported that $388 million had been collected as a result of management action sustaining auditors findings at 13 agencies. After investigating this claim, the subcommittee found it to be grossly overstated due, in part, to confusion over the definition of "audit recoveries."

In June 1982, the Council issued its third summary report for the six-month period ending March 31, 1982, which reported a $5.8 billion savings figure. Because of deficiencies noted in the previous report by the Council, our subcommittee and the Subcommittee on Oversight and Investigations of the Committee on Energy and Commerce, requested GAO to review, among other things, the propriety of relying on the $5.8 billion reported as direct savings in improved use of funds when preparing the Federal Budget.

In a letter report entitled "Budget Implications of Savings Reported in the Third Summary Report Issued by the President's Council on Integrity and Efficiency," (AFMD-83-14), the GAO reviewed each issue. Regarding the budgetary savings figure, the GAO concluded that the majority of the $5.8 billion savings reported by the Council represent costs avoided and management commitments to seek recoveries, and do not necessarily represent budgetary savings.

b. Benefits.—The GAO letter report was sent to the Congressional Budget Office and the Committee on the Budget for their use when considering the fiscal year 1984 Federal Budget.

c. Hearings.—No hearings have been held.

25. Review of the Recent Decisions by the Army Affecting Women's Participation in the Services.

a. Summary.—The subcommittee began a review of the impact that recent decisions by the Army might have on the status of women in the armed services. The purpose of this review is to make sure that women are not discouraged from volunteering for military service and that the quality of our nation's armed forces are not adversely affected.

b. Benefits.—While it is premature to estimate the benefits from this investigation, it should result in insuring that the most qualified people available serve in the nation's military forces.

c. Hearings.—No hearings have been held.

26. Review of DOD Use of Polygraph Tests To Investigate a Leak of Classified Information to a Newspaper.

a. Summary.—This review seeks to determine whether the DOD's use of polygraph tests to investigate the leak of classified information to the Washington Post was within the bounds of applicable law and consistent with current knowledge of the polygraph and its limitations. A GAO report concluded that the use was not improper because a DOD directive allows for broadscale use of the polygraph in exceptional cases. As of this time, the subcommittee has reserved comment on the investigation.

b. Benefits.—The inquiry is continuing at this time and benefits are impossible to assess.

c. Hearings.—No hearings have been scheduled.

27. Review of the Ownership Status of the General John J. Pershing Memorial in Paris, France.

a. Summary.—The subcommittee is reviewing the status of the building where the Memorial to General John J. Pershing in Paris, France is located. In 1935 the U.S. Government, which holds title to the building, provided the memorial in trust to the American Legion, which in turn has entrusted the building and care of the memorial to the American Legion Post No. 1 in Paris, France.

On May 5, 1982, by resolution, the American Legion terminated the operating agreement with Paris Post No. 1 and directed that the building and memorial be returned to the U.S. Government. The subcommittee has been attempting to determine the interest of the U.S. Government and to assure the necessary action is being taken to protect that interest.

b. Benefits.—The building is located in the center of Paris and has an estimated value of between $20 and $30 million, however, the true value is presently indeterminable. Further, the building has served as a center for American citizens in Paris, in addition to its role as the Memorial to General John J. Pershing. The subcommittee intends to carefully monitor the disposition of the facility to insure that the best interests of the U.S. Government are served.

c. Hearings.—No hearings have been held on this subject.

28. Review of State Department's Office of Inspector General.

a. Summary.—The subcommittee is reviewing the State Department's statutory Office of Inspector General, which was created by the provisions of the Foreign Service Act of 1980. The primary purpose of this review is to determine congressional compliance with respect to audits and inspections being conducted and the effectiveness of the legislation that created the Office.

At the request of the subcommittee, the GAO is engaged in a study which is expected to determine the effectiveness and independence of the office in conducting audits and inspections. In addition, the study is expected to determine the usefulness of the audits and inspections being conducted.

b. Benefits.—While it is not possible to estimate specific monetary benefits, there are substantial potential benefits to be derived from the effective and independent operations of the Department's Office of Inspector General.

c. Hearings.—No hearings have been held.

29. Review of Consolidating Aeronautical Depot Maintenance for the Military Services.

a. Summary.—The subcommittee is reviewing the management of aircraft depot systems which each of the military services operate independently. As part of this effort, the GAO was asked to conduct a followup review of their 1978 study. That study concluded that separate aircraft depot maintenance systems of the three military services waste money, men, and material by proliferating redundant and underused resources.

b. Benefits.—The services spent about $4 billion a year for their depot maintenance programs. GAO estimates excessive costs to be between $300 and $400 million annually. A more precise estimate of potential monetary benefits cannot be made at this time.

c. Hearings.—No hearings have been held.

30. Review of the Closing of the U.S. Consulate in Cali, Colombia.

a. Summary.—In continuing its investigations into the operations of U.S. embassies overseas, the subcommittee reviewed a decision by the State Department to close the U.S. Consulate in Cali, Colombia. The decision to close the Consulate was the result of a request from the U.S. Ambassador to Colombia, in response to a State Department directive to U.S. embassies worldwide to study ways to reduce costs. Cali was the only Consulate that the Department could identify that was being closed because of this directive.

The subcommittee carefully reviewed the rationale behind the closure and terminated its review without hearings.

b. Benefits.—According to the State Department, U.S. Government personnel in Cali are vulnerable targets for both political and criminal violence and the Consulate's main residual function, the issuance of non-immigrant visas, can be absorbed elsewhere. In addition, the Consulate was being evicted from its present quarters in June 1982 and minimal physical systems in new quarters would have cost at least $500,000.

c. Hearings.—No hearings have been held.

31. Review of the Reclassification of Government Procurement Personnel.

a. Summary.—During this Congress the OPM began efforts to reclassify procurement personnel. Drafts of such reclassifications were sent out for comment. The subcommittee began to monitor this effort when it became apparent that the proposed reclassifications might result in downgrading procurement personnel. Since this subcommittee is concerned about the quality of Government procurement in general and since uneconomical procurements are often caused by a non-professional, untrained and inexperienced workforce, the subcommittee, in a letter from the Chairman, expressed hope that the draft classification standards would be reconsidered and that interested parties would have an opportunity to comment on a revised draft.

Such a revision is currently in process and input is being received at OPM from individuals who have expertise in the procurement area.

b. Benefits.—It is anticipated that new classification standards for procurement personnel will ultimately result in a more professional procurement workforce. The Government should benefit greatly from the actions taken by procurement personnel who have experience and training in procurement prior to being assigned to a procurement position.

c. Hearings.—No hearings were held on this subject.

32. Review of the Administration's Actions To Reduce Yearend Spending Abuses.

a. Summary.—In recent years the Congress has approved legislatively-mandated spending limits for the last quarter of a fiscal year, in an effort to eliminate the wasteful use of taxpayer funds on unnecessary goods and services. The Administration has consistently opposed such action arguing that good management cannot be legislated. In an effort to improve the economy and efficiency of Government operations and to eliminate wasteful spending practices, the subcommittee is continuing to monitor yearend spending practices of the executive branch agencies.

b. Benefits.—Congressional concern over the wasteful use of Federal funds has already resulted in a greater effort by the Administration to eliminate wasteful yearend spending practices. OMB and the OFPP have issued various memoranda to agency management stipulating guidelines to be used in assessing agency activities. Although impossible to quantify, this effort should result in significant savings.

c. Hearings.—No hearings were held on this subject.

33. Department of Energy Plans To Contract Out the Operations of the Forrestal Message Center and ADP Services.

a. Summary.—The subcommittee conducted an investigation of the Department of Energy's announced plans to contract out the operations of the Forrestal Message Center and ADP services. The chairman of the subcommittee wrote the Secretary of Energy expressing concern over the protection of classified information if the responsibility for the operation of this highly sensitive communications center was turned over to an outside contractor. Following the chairman's letter, the Department of Energy notified the subcommittee that it had decided to terminate the action to contract out the message center operations.

b. Benefits.—While monetary benefits were not a concern, the safeguard of highly sensitive information will be improved by the decision not to contract out this function.

c. Hearings.—No hearings were held on this subject.

INTERGOVERNMENTAL RELATIONS AND HUMAN RESOURCES SUBCOMMITTEE

1. The Current Condition of American Federalism.

a. Summary.—The subcommittee held ten days of hearings to examine the condition of American federalism in the light of the extensive growth of Federal aid to State and local governments in the two decades since 1960. There were approximately 132 Federal grant programs costing $7 billion in 1960; by 1980, the number of grant programs had increased to almost 500 at a cost of $91.5 billion. Federal grants in 1980 accounted for more than 26 percent of all State and local government expenditures, up from less than 15 percent in 1960 and 10 percent in 1955. However, this level of Federal support has been reduced somewhat as a result of actions taken in the Omnibus Budget Reconciliation Act of 1981 and other Congressional measures. In addition to the growing centralization of the financing of public services, Federal regulatory programs have also had an increasing impact on the other governmental levels in recent years.

One of the objectives of the subcommittee's hearings was to examine and evaluate the very significant report on the Federal Role in the Federal System issued by the Advisory Commission on Intergovernmental Relations in 1980 after a three-year study. The Commission found that intergovernmental relations, over the past 20 years, "have become more pervasive, more intrusive, more unmanageable, more ineffective, more costly, and above all, more unaccountable." It was the Commission's conclusion that the tendency to "intergovernmentalize" practically every domestic problem has impeded equity, administrative effectiveness, economic efficiency, and political as well as administrative accountability.

The witnesses who participated in the hearings were asked to present their views on the ACIR's findings and recommendations. They were also asked to comment on the feasibility of developing criteria for identifying appropriate national governmental responsibilities, on whether the changes and reforms in State government during the past 20 years provide a basis for Federal withdrawal from certain policy areas, and on whether sufficient information is now available to pursue the actions necessary for improving the functioning of our federal system.

b. Benefits.—During the 97th Congress, President Reagan proposed two "New Federalism" initiatives intended to reduce the Federal Government's role in domestic programs. These proposals involved: (1) a "swap" consisting of the Federal Government's taking over medicaid in exchange for State takeover of food stamps and AFDC, and (2) a turnback to the States of more than 40 Federal assistance programs in the areas of education, transportation, community development, and social services, with funding made available to the States from a trust fund supported by certain Federal excise taxes and the windfall profits tax on oil.

The President, however, did not send Congress draft bills to implement these proposals as he had planned. Such legislation is likely to be transmitted early in the next Congress, at which time the subcommittee's comprehensive hearing record should provide a valuable resource for evaluating the President's proposals as well as other approaches for strengthening our federal system.

c. Hearings.—Hearings were held on April 7, 8, 9, 29, and 30; May 13 and 14; June 17 and 18; and October 6, 1981. The hearing transcripts have been printed.

2. Fraud and Abuse Involving Food Stamps and Other Federal Programs.

a. Summary.—During fiscal year 1981, Federal outlays for four major need-based programs administered by the Departments of Agriculture and Health and Human Services—the food stamp program, the Supplemental Security Income (SSI) program, the Aid to Families with Dependent Children (AFDC) program and the Medicaid program—totaled about $40 billion. Two other huge programs administered by HHS—Social Security and Medicare—accounted for more than $190 billion in Federal expenditures.

The subcommittee initiated its current review of fraud and abuse involving major programs administered by USDA and HHS for several reasons. One motivating factor was a long-standing concern about the adequacy of income verification procedures for Federally-supported need-based programs. Another was the September 3, 1981, announcement by a Justice Department official on a nationwide TV program of what seemed to be "a top priority attack" on food stamp fraud. The inquiry was also intended in part to follow up on a November 1979 subcommittee hearing concerning losses from stolen or duplicate checks or authorization documents.

In late 1979, the subcommittee asked the General Accounting Office to review significant Federally-supported programs which rely on income or asset information in determining eligibility for—or the amount of—benefits with a view to ascertaining the adequacy of procedures used to verify of information supplied by applicants.

A report on the GAO review was received in January 1982.

GAO reviewed five major programs which use income and asset information in determining eligibility. These programs—AFDC, SSI, Medicaid, Food Stamps and HUD's Section 8 housing program—involved total Federal, State and local program expenditures of approximately $45 billion in fiscal year 1978.

On the basis of its review, GAO estimated that overpayments caused by recipients' failure to fully report income and assets in applying for benefits under these five programs during fiscal year 1978 totaled more than $850 million.

While the GAO review involved 1978 data, a 1981 matching project indicated the existence of a similar problem. In this project, which was described at the subcommittee hearing, the Agriculture Department Office of Inspector General, working with OIG personnel from HHS and HUD and with State and local officials, matched income data supplied by food stamp recipients in Shelby and Davidson Counties, Tennessee, with wage data supplied by employers for the unemployment insurance program.

This match and subsequent followup work disclosed a total of 1,600 suspected fraud cases in the food stamp program out of a total case load of approximately 82,000. The total food stamp fraud involved in the 1,600 cases was estimated at $2.5 million, with an additional $500,000 attributable to the AFDC program.

A number of additional matching projects conducted by IG offices during 1981 and 1982 provided further evidence of substantial overpayments or overissuances attributable to non-disclosure of income and/or assets.

On September 3, 1981, Attorney General Smith stated that "We now have very strong indications that fraud of the worst kind has permeated the food stamp program, and we are going to use every effort as quickly as possible to identify those responsible, to prosecute them, and to put them behind bars."

However, on September 30, 1981, an OMB budget message proposed substantial reductions in the budgets of the Federal Bureau of Investigation and the Justice Department. Moreover, OMB proposed a 12-percent reduction in the budget of the unit which had been leading the fight against food stamp fraud—the Agriculture Department's Office of Inspector General.

Testimony at the hearing disclosed that the USDA Office of Inspector General had been responsible for 799 indictments for food stamp fraud during fiscal year 1981; the testimony further indicated that no 1981 food stamp indictments had resulted from FBI investigations. However, Justice Department witnesses said that three or four attorneys had been assigned to work on food stamp fraud, and that FBI participation in such investigations was expected in selected areas of the country in the future.

The September 30, 1981, OMB budget message had also proposed a 12-percent reduction in the budget of the Office of Inspector General of the Department of Health and Human Services, even though funds available to that office already were less than two cents out of every $100 expended by HHS. Testimony by the HHS Inpector General indicated that such a reduction would cause a net loss to the taxpayers, since his office was saving or recovering from $4 to $12 for every dollar it was spending.

Prior to the hearing, on October 7, the subcommittee chairman wrote to the President to express surprise and deep concern about the proposed 12-percent cuts in the budgets of the Inspectors General. At the hearing, the USDA and HHS Inspectors General indicated that they had been given assurance just prior to their testimony that the proposed cuts would not take place.

b. Benefits.—The subcommittee investigation helped focus attention on the tremendous losses being incurred through overpayments in need-based programs resulting from concealment or nondisclosure of income and assets. It directed particular attention to the need for verification of income and/or assets at the earliest feasible point in the eligibility process in order to prevent losses which, as a practical matter, could not be recovered.

In addition, the subcommittee investigation and hearing undoubtedly played a key role in reversing proposed cuts in resources which would have had a crippling effect on the operations of the USDA and HHS Offices of Inspector General.

c. Hearings.—A hearing was held on October 28, 1981. The hearing transcript has been printed.

3. Federal Payments in Lieu of Taxes.

a. Summary.—The subcommittee conducted a study, which included three days of hearings, to examine the immunity of Federally-owned property from State and local property taxes, and the effect of this exemption on the finances of State and local governments. In its hearings, the subcommittee also took testimony on H.R. 324 and similar bills that would require the Federal Government to make payments in lieu of taxes (PILOT) to compensate State and local governments for the taxes they are prohibited from collecting on Federally-owned property located within their borders. Several of these bills would also authorize Federal payments in lieu of taxes on tax-exempt property owned by foreign governments and international organizations.

The Federal Government currently owns over 775 million acres—more than one-third of the United States land area—as well as thousands of buildings and other facilities, ranging from post offices to military bases. According to estimates prepared by the Advisory Commission on Intergovernmental Relations, the total value of Federally-owned property in 1978 was $279 billion. Nearly all of these property holdings are exempt from State and local property taxes.

The Federal Government currently operates approximately 50 separate programs that make payments in lieu of taxes to State and local governments. However, the existing system of payments has been criticized as being excessively fragmented, uncoordinated and inequitable. One of the purposes of the subcommittee's investigation was to determine the feasibility of consolidating these separate programs into a more rational, comprehensive and equitable PILOT program. While the hearings disclosed substantial inequities and excessive fragmentation in the Federal Government's present payment arrangements, legislative action was not recommended because of the increased expenditures required to remedy this situation.

b. Benefits.—While current fiscal constraints preclude the enactment of a comprehensive payment in lieu of taxes program at this time, the subcommittee's study provides valuable information and a sound framework for the future consideration of similar proposals.

c. Hearings.—Hearings were held on October 14, 20, and 27, 1981. The hearing transcripts have been printed.

4. The Regulation of New Drugs by the Food and Drug Administration: The New Drug Review Process.

a. Summary.—Since 1964, the subcommittee has periodically examined the performance of the Food and Drug Administration in carrying out its statutory responsibility for protecting the public from unsafe or ineffective drugs. During the 97th Congress, the subcommittee continued its oversight efforts in this area with an extensive investigation of FDA's current policies and procedures for regulating the clinical investigation of new unapproved drugs and for evaluating applications for marketing new drug products.

Inasmuch as the Department of Health and Human Services had recently announced plans to speed the approval and marketing of new drugs, it was both timely and important for the subcommittee to assess FDA's current performance in reviewing and approving applications for new drugs. As part of this assessment, the subcommittee examined in depth FDA's review of two one-a-day anti-arthritis drugs which had been approved for marketing in April 1982—Oraflex (generic name benoxaprofen) and Feldene (generic name piroxicam). In the case of Oraflex, the subcommittee's investigations revealed that FDA had not adequately reviewed all available information on the drug's safety prior to approving it. The investigation also revealed that the drug's manufacturer, Eli Lilly and Company, did not report to the FDA, as required by law, all known serious adverse reactions associated with Oraflex prior to the drug's approval. During the subcommittee's hearings, health officials in the United Kingdom removed this drug from the market because of the large number of serious adverse effects and deaths associated with its use. Immediately following the hearings, the manufacturer suspended the sale of Oraflex in the United States.

The subcommittee's investigation also questioned the adequacy of the data submitted by the manufacturer (Pfizer, Inc.) in support of the effectiveness of Feldene, the other one-a-day anti-arthritis drug approved by FDA.

In connection with promotional claims made for both Oraflex and Feldene, the subcommittee hearings also examined deficiencies in FDA's enforcement of statutory prohibitions against the false and misleading advertising of prescription drugs.

Witnesses participating in the hearings included the Commissioner of the Food and Drug Administration and other FDA officials.

b. Benefits.—FDA announced during the subcommittee's hearings that it had amended its procedures for reviewing reports of adverse effects associated with new drugs to correct deficiencies found by the subcommittee. Also in response to the subcommittee's investigation, FDA has proposed strengthening the reporting requirements for new drug applications.

c. Hearings.—Hearings were held on August 3 and 4, 1982. The hearing transcripts have been printed.

5. Administration of Research Grants by the National Institutes of Health and Accountability of Educational Institutions for Federal Funds.

a. Summary.—The subcommittee continued its oversight of grants management by the National Institutes of Health (NIH), and the manner in which the educational institutions which receive NIH and other Federal grant support account for these funds. Special attention was given both to evaluating the quality of grants management and to reviewing the progress made by NIH and grantee institutions in implementing recommendations made in previous committee reports and in remedying weaknesses pointed out in subcommittee hearings.

b. Benefits.—Investigations of NIH grants management made by the subcommittee in past years produced significant monetary savings, as well as clarification of Federal policies and improved administrative procedures. It is anticipated that the subcommittee's continued activities in this area will produce similar beneficial results. In addition, there is an urgent need to improve the manner in which institutions that receive Federal assistance account for the use of these funds.

COMMERCE, CONSUMER, AND MONETARY AFFAIRS SUBCOMMITTEE

1. Federal Response to OPEC Country Investments in the United States.

a. Summary.—The subcommittee continues its investigation into the nature, extent and impact of OPEC country investments in the United States and the adequacy of Federal efforts to monitor, evaluate, and, when necessary, regulate these investments.

The subcommittee's investigation has focused on (1) the disposition of known OPEC country surpluses in the United States and abroad; (2) OPEC country-by-country investment strategies and trends, including increasingly large investments in sensitive sectors of the U.S. economy; (3) problems in U.S. Government monitoring of OPEC and other investments; (4) OPEC government demands for preferential treatment of their investments by the U.S. Government (such as preferential tax treatment, confidentiality of investment data, and indexed Treasury securities), and pressure applied to obtain such favorable treatment; (5) the impact and concerns about such investments, including foreign government direct investments and the consequences of a possible withdrawal of portfolio investment; (6) the relationship between oil production and OPEC surpluses and investments; and (7) continued Federal secrecy of OPEC investment data, including Treasury's refusal to share data with other Federal agencies.

b. Benefits.—The economic and political consequences of OPEC country investment in the United States are substantial. OPEC government direct investments in sensitive sectors of the U.S. economy and ownership of U.S. Treasury securities and other portfolio investments raise extremely important questions about (1) foreign control over U.S. corporations and natural resources, (2) foreign influence of U.S. Government policy, and (3) the impact of these on U.S. national interests.

c. Hearings.—Hearings were held on September 22 and 23, 1981, and have been printed.

2. Federal Response to Kuwait Purchase of Santa Fe International—a U.S. Corporation.

a. Summary.—The subcommittee examined the adequacy of the Federal response to the acquisition of Santa Fe International Corporation by Kuwait Corporation, a wholly-owned subsidiary of the Government of Kuwait. The subcommittee focused its attention on the effectiveness of the Government's ability to review foreign investment in the United States and the impact of the Kuwaiti acquisition on U.S. national interests. Of particular importance was the fact that this takeover was by a foreign government and not by foreign private investors and that the U.S. company acquired had performed extensive design and engineering work at some of America's most sensitive nuclear weapons facilities.

The subcommittee's hearings disclosed that absent congressional prodding, the interagency structure for analyzing foreign takeovers of U.S. firms was substantially deficient and raised the most serious questions about the adequacy of our Nation's foreign investment policies in sensitive sectors of the U.S. economy. In addition, the subcommittee's hearings disclosed problems encountered by the Securities and Exchange Commission in investigating and prosecuting insider trading, especially when stock is held in nominee name or in Swiss or other numbered bank accounts. The subcommittee has continued its oversight of SEC's investigation and litigation arising out of insider trading in Santa Fe stock.

b. Benefits.—The United States lacks a clear and coherent policy with respect to foreign ownership of its companies and its natural resources. Given the rapidly increasing amounts of foreign investment here, and the vulnerability to foreign takeovers of firms in sensitive sectors of the U.S. economy, it is imperative that there be established a clear and consistent inward foreign investment policy. While nonquantifiable in monetary terms, the establishment of a prudent policy on inward foreign investment, will have important beneficial effects on U.S. national interests. The Chairman of the subcommittee intends to introduce legislation to deal comprehensively with some of the issues of inward foreign investment disclosed in this investigation. In addition, the Chairman of the subcommittee intends to introduce legislation to increase penalties for violation of the insider trading laws. The subcommittee has also continued oversight of the Treasury Department's review, through the Committee on Foreign Investment in the United States (CFIUS), of investments such as the one considered in this investigation. As a result of the subcommittee's hearings, Santa Fe International agreed to withdraw from its architectural and engineering contract with the Department of Energy for work at the nuclear weapons facility at Hanford, Washington. In addition, the Department of Energy agreed in the future to impose the Department of Defense's more stringent regulations and procedures for foreign takeovers rather than solely relying on DOE's regulations.

c. Hearings.—Hearings were held on October 20 and 22; November 24; and December 9, 1981. The hearings have been printed.

3. Federal Response to OPEC Country Investments in the United States—Saudi Arabian Influence in Whittaker Corp.

a. Summary.—The subcommittee examined the nature and extent of Saudi Arabian influence in Whittaker Corp., and the effectiveness of Department of Defense procedures for identifying foreign ownership, control or influence in defense contractors. Whittaker, a U.S. firm which holds classified U.S. defense contracts, operates hospitals in Saudi Arabia under contract with the Saudi Ministry of Defense and Aviation. A substantial portion of its 1981 operation profits were generated from Whittaker's Saudi Arabian and combined Middle Eastern operations. DOD has established security regulations designed to safeguard classified information in the possession of defense contractors by providing for facility clearances and individual security clearances. The subcommittee focused its attention on (a) the operation of DOD security procedures; (2) whether procedures between the Department of Defense and the Securities and Exchange Commission permit the ready exchange of information about foreign ownership of or influence in U.S. firms, including defense contractors; (3) whether a U.S. defense contractor's substantial reliance on revenues from a single source foreign country triggers the requirements of the industrial security program; and (4) the nature and extent of Whittaker assistance and payments to Saudi nationals and their impact on the requirements of the industrial security program.

b. Benefits.—The Department of Defense reviewed its procedures and Whittaker Corporation's filings as a result of the subcommittee's investigation.

c. Hearings.—A hearing was held on April 6, 1982. The hearing has been printed.

4. Foreign Government and Foreign Investor Control of U.S. Banks.

a. Summary.—Continuing an investigation initiated during the previous Congress, the subcommittee investigated during 1981 and 1982 several additional aspects of foreign investment in U.S. banks. Particular attention was given to the recent acquisition of control of Financial General Bankshares by a group of investors from the Middle East, the recent acquisition of control of the Long Island Trust Company by a subsidiary of the Italian Government, and the comparative financial soundness and compliance with U.S. banking requirements of those U.S. banks now controlled by foreign individuals.

Of principal concern to the subcommittee at this time is the exceptional treatment accorded foreign governments by the Federal Reserve Board in its administration of the Bank Holding Company Act. Without explicit authority in the law, the Federal Reserve has determined to exempt foreign governments and their instrumentalities from the requirements of the Bank Holding Company Act when they seek to acquire U.S. banks. The most significant application of this policy occurred in 1982 when the Federal Reserve approved the application of the Banca Commerciale Italiana to acquire the Long Island Trust Company in New York and its holding company, Litco, without requiring the Italian Government holding company, Istituto per la Ricostruzione Industriale (IRI), that controls Banca Commerciale Italiana, to apply for approval as a bank holding company. The subcommittee's investigation of the policy implications and legal basis for this practice will continue in 1983.

Acquisition of U.S. banks, especially larger U.S. banks, by foreign individual investors raises important policy and bank supervisory questions that do not arise when the foreign owners of U.S. banks are established and reputable foreign banking organizations. For this reasons the subcommittee reviewed during 1982 the adequacy of Federal supervision of those U.S. banks controlled by foreign individual investors. The Federal bank regulatory agencies prepared a joint report to the subcommittee on their examination findings and experience with these banks, which showed that a substantial number of these banks have been subject to supervisory actions to correct unsafe or illegal banking practices. While the regulators maintain that these problems arose in most cases prior to the transfer of control to the foreign investors, and therefore did not reflect the consequences of foreign ownership per se, the subcommittee remains concerned about whether foreign ownership of banks may be detrimental to the best interests of those banks and the communities they serve.

b. Hearings.—A hearing was held on September 30, 1982, and has been printed.

5. Impact of Proposed Fiscal Year 1983 Budget on IRS Operations (Including Taxpayer Services and Tax Return Audits).

a. Summary.—The subcommittee examined the adequacy of IRS' proposed fiscal year 1983 budget and its impact on essential Service operations such as taxpayer assistance, tax audits and efforts to deal with the so-called underground economy.

The proposed IRS budget request for fiscal year 1983 submitted to Congress by President Reagan would leave IRS with nearly 1,000 fewer staff-years than it had in January 1981. Some areas of the IRS budget were particularly hard hit by budget reductions such as taxpayer services and tax return audits. The administration proposed eliminating the vital toll-free telephone taxpayer services function which helped over 24 million persons in 1981; and walk-in tax preparation service for low income and elderly persons provided to 8 million persons in 1981. The budget also proposed examining the second lowest percentage of tax returns in history, at a time when the IRS was estimating that the underground economy would result in a tax loss to the Treasury of $95 billion for 1981.

b. Benefits.—The subcommittee's investigation contributed to both the House and Senate Appropriations Committees recommending that IRS' fiscal year 1983 budget be increased by $50 million specifically earmarked for toll-free telephone and walk-in tax preparation service which would restore those essential services to their 1982 levels. While the tax consequence of these services is not precisely determinable, the IRS Commissioner estimated that elimination of these services would result in reduced compliance with the tax laws and that each 1 percent reduction in taxpayer compliance results in a tax loss of $4 billion each year. The subcommittee's investigation also resulted in increased focus on the need for additional IRS resources for tax audits and to combat the underground economy.

c. Hearings.—A hearing was held on March 17, 1982, and has been printed.

6. Improper Use of Foreign Addresses To Evade U.S. Taxes.

a. Summary.—The subcommittee examined the IRS and Treasury Department response to evidence of improper use of foreign addresses including nominee accounts in tax haven countries to evade taxes on U.S. source income.

Each year many billions of dollars in interest, dividends and other income payments are made by U.S. corporations, financial institutions, and other entities to foreign addresses. Evidence in the subcommittee's possession indicated that a significant portion of this income was being sent to U.S. taxpayers and others subject to U.S. taxation who were using foreign addresses to conceal the income or thwart proper tax collection on this income. The subcommittee estimated that such use resulted in a tax loss to the Treasury of at least $1 billion each year. Both IRS and Treasury officials testified that the minimal tax loss was hundreds of millions of dollars annually. They also acknowledged that their present procedures for preventing and/or detecting such use were not effective and that new procedures were needed. The subcommittee determined that the most effective way to stop the improper use of foreign addresses was to implement the so-called refund system of withholding which Treasury officials said would go far towards correcting abuse of the foreign address system. The subcommittee, in a letter to the Ways and Means Committee, recommended incorporating the requirement for a refund system in the proposed 1982 tax bill. The subcommittee also suggested renegotiating and/or terminating existing income tax treaties with tax haven countries.

b. Benefits.—As a direct result of the subcommittee's investigation, the Tax Equity and Fiscal Responsibility Act of 1982 includes Section 342 of Subtitle F which mandates that the Secretary of the Treasury prescribe regulations establishing certification procedures, refund procedures or other procedures which ensure that any benefit of any treaty is available only to persons entitled to such benefit. The projected tax revenue gains from implementing this section range from a minimum of $400–$500 million per year to $1 billion per year.

c. Hearings.—A hearing was held on June 10, 1982, and has been printed.

7. Tax Treaty Negotiations With Tax Haven Countries.

a. Summary.—The subcommittee is carefully examining Treasury Department policies and IRS practices regarding the use of tax haven countries by U.S. taxpayers and others to evade U.S. taxes. Of immediate interest to the subcommittee are the current tax treaty negotiations between the United States and the Netherlands Antilles. Convincing evidence exists that countries like the Netherlands Antilles are being used to launder money generated in the underground economy and then reinvested in the United States. Important questions also exist as to the purchase of Eurobonds through the Antilles by residents of nontax treaty countries and the consequent loss of tax revenues due the U.S. Government.

b. Benefits.—There is ample evidence that if loopholes are closed in the present Netherlands Antilles tax treaty and beneficial ownership reporting requirements mandated, billions of dollars in lost tax revenues could be collected.

8. Federal Supervision and Failure of Penn Square Bank.

a. Summary.—The subcommittee conducted a hearing on July 16, 1982, into the circumstances surrounding the closing of the Penn Square Bank, Oklahoma City, Okla., on July 5, and conducted extensive investigations thereafter into the adequacy of prior supervision of that bank by the Comptroller of the Currency. At the time of its closing, the bank had over $100 million in uninsured deposits belonging to 139 federally insured credit unions, and substantial amounts of uninsured deposits from savings and loan associations and other depositors. The subcommittee's investigation also encompassed the circumstances surrounding the solicitation and placement of such a large volume of uninsured deposits in this bank, including the role of money brokers in bringing these funds into the bank.

b. Benefits.—The subcommittee's investigation is attempting to spotlight the reasons for the Penn Square failure and the inability of the Federal banking agencies to correct deficiencies in bank management and operations that contributed to the failure. Moreover, the subcommittee's efforts to reveal the extent of and reasons for the heavy losses suffered by federally insured credit unions have focused attention on the need for increased prudence in credit union investments of their funds.

c. Hearings.—A hearing was held July 16, 1982, and has been printed.

9. Consumer Complaint Handling by the Federal Bank Regulatory Agencies.

a. Summary.—At the request of the subcommittee, the General Accounting Office has assisted the subcommittee during 1981 and 1982 with an analysis of the adequacy of the Federal banking agencies' administration of their responsibilities for handling consumer complaints. A report is in preparation by the General Accounting Office and will be completed early in 1983. Further investigation and possible hearings are anticipated in 1983.

b. Benefits.—Not quantifiable at this time.

10. Regulation of Financial Institution Speculation and Futures Trading.

a. Summary.—Subcommittee investigation determined that 7 of the 10 largest savings and loan associations that had failed or been merged with assistance from the FSLIC had fallen into financial difficulties primarily because of heavy losses from speculative activities. The principal speculative activity involved was excessive forward commitments to purchase Government National Mortgage Association securities or to deliver mortgages to secondary market participants. The investigation determined also that Federal Home Loan Bank Board regulators had failed to secure correction of the speculative practices when they were discovered by examiners.

In 1981 the Federal Home Loan Bank Board granted savings and loan institutions broad authority to take positions in the financial futures market. Because of the highly risky and speculative nature of such positions, if not properly hedged by other investments, the subcommittee has been investigating the FHLBB's regulation of this activity.

b. Benefits.—Failures of thrift institutions often result in a loss to depositors of uninsured accounts, a diminution of the FSLIC insurance funds, and a reduction in the numbers of institutions available to make mortgage loans. More vigorous supervision by Federal banking agencies would prevent speculative activities and reduce the number of thrift failures resulting from such activities.

c. Hearing.—A hearing was held July 16, 1981, and has been printed.

11. SEC Regulation of Misleading Advertising by Government Securities Mutual Funds.

a. Summary.—During 1982 the subcommittee requested SEC investigation of the advertising and promotional materials employed by several money market mutual funds that identified themselves as investing exclusively in U.S. Government securities. Several funds whose portfolios included securities that lacked any direct government backing were claiming in their advertising, nevertheless, that their portfolios were 100 percent government backed. In addition, most such government securities funds were omitting entirely from their advertising and promotional material any mention of their heavy involvement in repurchase agreements, which are not equivalent to government securities. In response to the subcommittee's efforts, the SEC has moved to eliminate the unfounded advertising claims of government backing and has initiated a comprehensive policy review of the use of repurchase agreements by such mutual funds and related disclosure requirements.

b. Benefits.—Public investors have placed $26 billion in government securities money market mutual funds, principally because of their presumed safety. False advertising about the safety aspects of these funds has largely been eliminated, and the SEC is now giving close attention to regulation and disclosure standards of these funds.

12. Advertising of Retail Repurchase Agreements by Savings and Loan Associations.

a. Summary.—Retail repurchase agreements ("repo's"), which are uninsured short-term promissory notes backed by securities collateral, were heavily promoted during 1981 by some banks and savings and loan associations as high yielding substitutes for savings certificates. Because of their uninsured nature and the inadequacy of the collateral protection in some cases, these investments can be risky. The subcommittee investigated a number of individual cases in which savings and loan associations, some of which were in precarious financial condition, were advertising and selling these investments to the general public without adequate disclosure of the risks involved. The subcommittee then requested the Federal Home Loan Bank Board, which has authority to regulate savings and loan association advertising and selling of such investments, to correct the abuses found and to strengthen the applicable regulations.

b. Benefits.—The Federal Home Loan Bank Board, in large part in response to the subcommittee's request, substantially strengthened its regulatory standards for these nondeposit investments. The advertising abuses have largely disappeared.

13. Commercial Bank Compliance With the Community Reinvestment Act.

a. Summary.—The Federal bank regulatory agencies, including the Comptroller of the Currency, the Federal Reserve Board, the Federal Home Loan Bank Board and the Federal Deposit Insurance Corporation are responsible for compliance by the agencies under their supervision with the Community Reinvestment Act of 1977. This act requires banks and thrift institutions to engage in certain activities to help meet the credit needs of their entire communities, including those of low- and moderate-income areas. The subcommittee conducted an investigation to determine (1) whether certain banks were complying with the requirements of the law; and (2) whether the Federal bank regulatory agencies were effectively carrying out their responsibilities under the act. The subcommittee worked with GAO in preparing data on loans and deposits for several major commercial banks in preparation for hearings.

b. Benefits.—It is not possible to quantify benefits.

c. Hearings.—A regional hearing was held on March 29, 1982, concerning compliance in New York City banks with the Community Reinvestment Act. The hearing has been printed.

14. Federal Trade Commission Enforcement of the Truth in Lending Act.

a. Summary.—During 1982 the subcommittee has reviewed the adequacy of the Federal Trade Commission's draft staff report on truth-in-lending compliance, and has attempted to secure FTC completion and public release of this report. Subcommittee efforts in this investigation will continue during 1983.

b. Benefits.—Not quantifiable at this time.

15. Dormant Account Service Charge Practices of U.S. Banks.

a. Summary.—Subcommittee investigation and hearings during the 96th Congress established that banks frequently imposed unannounced service charges on their depositors' savings and checking accounts when the accounts are left unused for a certain period of time, and that in addition some banks, without announcement or warning, suspend payment of interest on savings accounts that remain inactive. The previous investigation determined that these practices are principally concentrated at national banks under the regulation of the Comptroller of the Currency. At that time the Comptroller's office declined to take any regulatory action against these practices because there was insufficient evidence, in their judgment, that these practices were widespread.

During 1982 the subcommittee therefore conducted, with the technical assistance of the General Accounting Office, a sample survey of the dormant account service charge and interest suspension practices of U.S. banks. The GAO will complete the tabulation and analysis of the survey results early in 1983, and further subcommittee investigation is anticipated. A hearing may be held.

b. Benefits.—Not quantifiable at this time.

16. Home Mortgage Refinancings.

a. Summary.—The subcommittee conducted during 1981 a sample survey of the terms and general characteristics of first mortgage refinancings by savings and loan associations. The survey results demonstrated clearly that in a substantial portion of the cases the true interest rate cost of the credit obtained in these transactions was substantially higher than the interest rate disclosed to the borrower in accordance with the truth-in-lending regulations promulgated by the Federal Reserve Board. The subcommittee is continuing to investigate whether the borrowers in these cases were misled by the inaccurate truth-in-lending disclosures.

b. Benefits.—Unknown at this time. However, failure to properly state the full cost of credit may entitle the borrower to certain relief from the lender; and may result in unwise credit decisions being made by borrowers.

17. FDIC and FSLIC Procedures for Handling Financial Institution Failures.

a. Summary.—The subcommittee investigated the manner in which the Federal deposit insurance funds (FDIC and FSLIC) handle failing banks and savings institutions to determine whether these agencies are administering their insurance functions in the least costly way. As the insurance funds have several options for disposing of a failing institution that requires intervention to protect the deposits, the subcommittee investigated all the larger bank and savings and loan institution failures within the past 10 years to determine whether the net costs to the insurance funds could have been materially reduced by handling the failures differently. No major instances of excessive costs were found, although the procedures for determining the minimum cost approach were defective in certain respects.

b. Benefits.—Not known at this time.

c. Hearings.—A hearing was held July 16, 1981, and has been printed.

18. Effectiveness of U.S. Export Promotion Policies.

a. Summary.—In August 1977 and in March 1978, the Government Operations Committee approved and adopted reports on this subject prepared by the subcommittee. Since that time, the subcommittee has continued to exercise its oversight jurisdiction in connection with the establishment of the Foreign Commercial Service (FCS) in the Department of Commerce and in connection with export promotion policy and trade reorganization issues generally.

In April 1981 the subcommittee visited several U.S. Embassies and met with FCS representatives both abroad and here in Washington. On October 18, 1982 the General Accounting Office released its report, "Problems Hamper Foreign Commercial Service," on its review of the effectiveness of the transfer of responsibility from the State Department to the Commerce Department in the establishment of the FCS.

The subcommittee's continuing investigation includes (a) the efficiency and economy of the administration of the FCS, including budget and staffing requirements; (b) the efficiency and economy of program and policy implementation by the FCS, particularly with reference to the encouragement of exports by U.S. small businesses; (c) an examination of the interaction and relationship among FCS offices abroad, the Department of Commerce in Washington and the U.S. Commercial Service district offices; (d) an examination of the possibilities of additional personnel interchanges both between Commerce posts abroad and Commerce district offices in the United States and between the Foreign Service in the State Department and the Foreign Commercial Service in Commerce; (e) an examination of intraembassy relationships between FCS officers and economic officers; (f) an examination of the relationship between Department of Commerce export promotion activities and similar activities undertaken by various states in the United States; (g) an examination of whether FCS resources at various posts are responsive to the nature and degree of actual and potential trade between that country and the United States; and (h) an examination of the efficiency of specific programs such as trade missions, trade fairs and the Department of Commerce's various export marketing assistance programs such as the Agency Distributor Service (ADS), the Trade Opportunity Program (TOP), World Traders Data Reports (WTDR), Export Contact List Service (ECLS) through the Worldwide Information and Trade System (WITS).

b. Benefits.—It is not possible to determine benefits at this time, since the investigation is not completed.

19. Administration of Antiboycott Laws.

a. Summary.—The subcommittee has continued its oversight of the Departments of Commerce and Treasury in their enforcement of the antiboycott provisions of the Export Administration Act and the international boycott provisions of the Internal Revenue Code. In 1976, the subcommittee held extensive hearings on the "Effectiveness of Federal Agencies' Enforcement of Laws and Policies Against Compliance by Banks and Other U.S. Firms with the Arab Boycott" and a report on the subject was issued in September 1976. In 1977, the subcommittee again held hearings on the "Department of Commerce's Proposed Antiboycott Enforcement and Regulation Plans." Since passage of the 1977 law, the subcommittee has maintained continuing oversight over the Commerce Department's enforcement activities. Most recently, the subcommittee examined the manner in which the Department of Commerce dealt with the practice of some U.S. banks in negotiating checks for deposit which are drawn on certain foreign banks and marked with boycott requests. In addition, the subcommittee investigated the Deprtment of Commerce's handling of other possible boycott threats and the IRS' enforcement of the boycott provisions of the IRS Code.

b. Benefits.—As a result of the subcommittee's investigation of the use of boycott request legends on checks, certain banks have agreed to discontinue their use and the State Department has agreed to request all countries whose banks utilize these legends to cease doing so.

20. Condominium and Cooperative Conversion: The Federal Response.

a. Summary.—Since the mid 1970's, there has been a significant increase in the number of rental housing units converted to cooperative or condominium ownership. The conversion phenomenon has been particularly acute in certain major cities (including Chicago, Philadelphia, Denver, New York, Boston, Los Angeles, Cleveland and Dallas), but increasingly has spread to smaller cities and suburbs and from luxury to middle- and low-income housing. It results in inflated housing costs, displacement of people who cannot afford or are unwilling to buy (primarily the elderly and poor) and a reduction in the available rental housing stock.

The Federal Government has various regulatory responsibilities affecting the condominium and co-op conversion market. These range from the bank regulatory agencies responsibilities in financing homeownership to the Securities and Exchange Commission's duties to regulate the sale of certain kinds of securities to the functions of the secondary mortgage market institutions, such as the Federal Home Loan Mortgage Corporation (FHLMC) and the Federal National Mortgage Association (FNMA). In addition, the Internal Revenue Service and the Federal Trade Commission have important concerns with this issue.

In order to investigate the response of these and other Federal agencies to the conversion phenomenon, the subcommittee examined, in detail, the operations of several of the Nation's leading converters and the Federal agencies' regulation of these companies and the industry in general. The subcommittee sought to establish first that the following national problems were caused in some degree by conversions: housing inflation; displacement, particularly of the poor and elderly; and reduction in available rental housing. It next sought to determine whether the appropriate Federal regulatory agencies were effectively dealing with the problems set forth.

A total of 6 days of hearings were held, including two regional hearings in New York City. Witnesses included individuals who had personal experience with displacement, industry representatives, academic experts and government officials.

b. Benefits.—As a result of the subcommittee's investigation, several Federal regulatory bodies have become more acutely aware of their responsibilities and have provided increased attention to helping to remedy some of the problems disclosed by the subcommittee's investigation. For example, the Federal Home Loan Bank Board is making greater efforts to insure that its examiners check compliance by thrift institutions with the Bank Board's rules regarding the loan-to-value ratio and owner-occupancy of condominiums for which loans are made. The Securities and Exchange Commission reviewed its policy regarding sales of co-op stock for purpose of investment. The Internal Revenue Service reviewed its responsibilities under IRC section 216 regarding deductions for tenant stockholders in cooperative housing corporations. The secondary mortgage institutions (FNMA and FHLMC) will more effectively enforce their regulations regarding owner-occupancy of units in a project for which they provide a secondary market.

As a result of the investigation and hearings, Chairman Rosenthal on June 8, 1981, introduced H.R. 3840, "To prohibit for two years the conversion of residential rental units to residential units which are to be offered for sale, and to establish a Presidential Commission on Problems Relating to the Conversion of Residential Rental Units," and H.R. 3841, "To amend the Internal Revenue Code of 1954 with respect to the tax treatment of condominiums and cooperative housing corporations."

c. Hearings.—Hearings were held in Washington, D.C., on March 30 and 31, April 1, and June 25, 1981. A regional hearing was held on May 22, 1981, and another regional hearing on June 7, 1982. Hearings have been printed.

21. Use of Internal Revenue Service Resources and Taxpayer Information for Draft Registration and Welfare Enforcement Purposes.

a. Summary.—The subcommittee examined the agreement by the Internal Revenue Service to (1) mail notices on behalf of the Selective Service System to individuals who did not register for the draft and to supply Selective Service with names and addresses; and (2) supply the Social Security Administration with the taxpayer information on recipients of supplemental security income payments (welfare). The Selective Service System mail-out is the largest ever undertaken by IRS.

b. Benefits.—The Internal Revenue Service is reviewing its legal position in the SSI case and has agreed to restrict the number of names and addresses disclosed to the Selective Service System. Other benefits are not quantifiable at this time, since the investigation is not completed.

c. Hearings.—A hearing was held on August 11, 1982. The hearing has been printed.

22. IRS Response to the Illegal Tax Protester Movement.

a. Summary.—The subcommittee examined the adequacy of IRS' performance in the illegal tax protester area. The subcommittee hearing demonstrated that IRS' failure to adequately deal with the illegal protest movement had a serious negative impact on our self-assessment tax system.

b. Benefits.—As a result of the subcommittee's hearings, the IRS accelerated its programs to combat the illegal tax protester movement. It is clear that the U.S. Treasury is losing many millions of dollars annually because of that movement. It is not possible, however, to precisely estimate the tax loss to the U.S. Government.

c. Hearings.—A hearing was held on June 10, 1981. Printed.

23. Undelivered Income Tax Refunds Held by Internal Revenue Service.

a. Summary.—The subcommittee has initiated an investigation of the procedures of the Internal Revenue Service for returning to the rightful owners the income tax refund checks that the Post Office cannot deliver at the addresses in IRS files. The subcommittee has been particularly concerned that these refunds may be due disproportionately to elderly or poor or female taxpayers who do not file regularly every year. As of November 1981, $9.5 million in tax refunds of $100 or more each had still not been returned to the individuals to whom they were owed from the tax years 1977–79, and similar amounts still owed for earlier tax years have been removed from the active tax files and cannot be tabulated.

In August 1977 the General Accounting Office reviewed the adequacy of IRS procedures for undelivered tax refunds and recommended certain improvements. At the subcommittee's request, the GAO conducted a follow-up review in 1981 of the IRS response to the earlier recommendations. The GAO reported to the subcommittee that, while some improvements had been made, there had been little progress in implementing the principal recommendation, which was that a cooperative program should be established with the Social Security Administration for the use of the SSA's address files for current recipients of SSI benefits.

In 1981 the subcommittee sought by letter to secure the agencies' commitments to follow the GAO recommendations and to make other improvements. A hearing is anticipated in 1983 if substantial progress is not forthcoming.

b. Benefits.—At least $6 million of the $9.5 million in refunds still owed from 1979 and earlier, plus an additional $1.5 to $2 million in each succeeding year above what is now returned, should be returnable to individuals through more systematic efforts by IRS.

24. Steel Dumping and Steel Countervailing Duty Cases.

a. Summary.—The subcommittee continued its oversight of the Department of Commerce's International Trade Administration and the International Trade Commission's administration of the antidumping laws as they relate to steel imports and the impact of those laws and imports on the domestic steel industry and on unemployment in the steel producing areas of the country.

b. Benefits.—Shortly after the hearing was held by the subcommittee, the ITA and ITC decided several cases in favor of U.S. steel manufacturers and shortly thereafter a settlement was reached with European steel producers. It is not known to what extent the subcommittee hearing contributed to these decisions.

c. Hearing.—A hearing was held on May 13, 1982. It has not been printed.

25. U.S. Treasury Proposal To Discontinue Direct Sales of Securities to the General Public.

a. Summary.—During 1982 the subcommittee investigated the basis for the U.S. Treasury proposal to discontinue making direct sales of Treasury bills, notes, and bonds to the general public. This investigation was initiated in response to public complaints about the proposal. The subcommittee's investigation determined that the Treasury had not analyzed the costs of their program of public sales, as compared with the costs of the large volume sales to securities dealers, and consequently that there was no cost-based justification for discontinuing the public sales. The Treasury proposal was subsequently withdrawn.

b. Benefits.—The public continues to be able to invest in Treasury securities without incurring the cost of brokerage fees that would be imposed by private firms if the Treasury suspended its public sales.

26. Oversight of Export-Import Bank.

a. Summary.—In reviewing the Comptroller General's Report, "To Be Self-Sufficient or Competitive? Eximbank Needs Congressional Guidance" (June 24, 1981, ID81–48), the subcommittee examined Eximbank's handling of uncollected interest and fees, delinquent loans, rescheduled loans and loan purchases. The subcommittee expressed concern that Eximbank's current net income added to the loan loss reserve is not keeping pace with the increased risk of losses from Eximbank's expanding loan portfolio.

b. Benefits.—Not known at this time.

27. Effectiveness of IRS Enforcement of Laws Regarding Tax-exempt Entities.

a. Summary.—Tax-exempt private foundations have traditionally provided sizable funding to further charitable, educational and research purposes. Foundation support often supplemented Federal Government support which provided the other major source of funding for these purposes. Current budgets, however, have resulted in a sharp decline in government support for many areas of past support, including community development, the arts, health, housing, employment, and concerns of the aged, youth, minorities and women. In the future, as government decreases its support of charitable, educational, and other similar organizations, the role of private foundations will become increasingly more important. This potential increase in the importance of private foundations together with the passage of legislation which reduced the pay-out requirement for foundations, prompted the subcommittee to question how well IRS is administering the tax exemption laws applicable to private foundations. At minimum the information disclosure and pay-out elements of the tax law should be strictly enforced to insure maximum access to foundation support for groups who are cut off from traditional sources of support.

Working with GAO, the subcommittee has determined that since at least 1975 the IRS normally accepts large numbers of incomplete tax-exempt organization returns. These return (1) cause costly and time consuming correspondence for IRS, (2) hamper IRS enforcement efforts, and (3) deny the public access to information to which it is entitled by law. The problem is particularly acute for the public seeking funds from private foundations because they use the returns filed by foundations as a unique source of information for soliciting grants and donations.

Because incomplete exempt organizations returns have been a continuing problem which IRS is apparently having difficulty resolving, the subcommittee is working with GAO to review the extent and nature of the problem and will issue a report on the subject.

b. Benefits.—It is not possible to determine benefits at this time, since the investigation is not completed.

28. Major Problems With Small Business Administration's Section 8(a) Program for Disadvantaged Small Businesses.

a. Summary.—The subcommittee examined the SBA's Detroit District Office's implementation of the Section 8(a) program. Detroit was selected as a case study because many of the problems associated with this program were found to exist there.

The subcommittee uncovered evidence that SBA/Detroit, as well as SBA's regional and central offices, had stifled Congress' goal of channeling noncompetitive Federal contracts to socially or economically disadvantaged small businesses to assist in their development. Specifically the investigation disclosed the following:

First, Federal agencies, such as GSA, the VA, HUD, and the Army Corps of Engineers have had contracts which they offered or were prepared to offer to SBA for 8(a) businesses. However, during

2 years, SBA/Detroit rejected 41 agency contracts, usually because no suitable business had been certified under 8(a).

Second, since March 1979 SBA/Detroit had either formally or informally rejected 113 disadvantaged small businesses from participation in the 8(a) program. SBA would discourage applicants from applying, fail to act on applications for months, or not take other necessary action. SBA often rejected firms referred to it by Federal agencies, which could have fulfilled many contracts let by these agencies.

Third, SBA had failed to adequately and effectively (1) negotiate the contracts for 8(a) qualified firms; (2) train 8(a) firms in the procedures to be followed; (3) assist such firms when they ran into problems not of their own making; and (4) process contracts in a timely fashion. In sum, SBA has not furnished the management, technical marketing, and financial assistance required of it.

b. Benefits.—Better administration of the 8(a) program and inclusion of more firms offering goods and services could ultimately save millions of dollars by preventing business failures and increasing employment in minority areas.

c. Hearings.—A hearing was held on March 28, 1981, and has been printed.

29. Proposed Closing of Four Federal Trade Commission Regional Offices.

a. Summary.—The subcommittee examined the proposal, by Chairman Miller of the FTC, to close 4 of the Commission's 10 regional offices; and the likely impact of these closings on the agency's consumer protection and antitrust responsibilities.

The hearings demonstrated that while the regional offices account for less than 20 percent of the FTC's budget, they consistently produce the bulk of the Commission's consumer redress orders, consent orders, judgments and decrees and injunctions. Strong evidence was received that, overall, the regional offices are cost/beneficial.

b. Benefits.—The results of the subcommittee's investigation and hearings were made available to the FTC's legislative and appropriations subcommittees. The regional offices remained open during fiscal year 1982. These offices are of major assistance to consumers by obtaining consumer redress ($51.2 million in 1980), by enforcing the antitrust laws and by preventing unfair and deceptive acts and practices in the marketplace.

c. Hearings.—A hearing was held on April 22, 1982. Printed.

30. Federal Response to Health Risks of Formaldehyde in Home Insulation, Mobile Homes, and Other Consumer Products.

a. Summary.—The subcommittee examined the nature and extent of the health problems caused by the release of formaldehyde gas from consumer products such as foam insulation, plywood and particle board; and the response of the Consumer Product Safety Commission and the Department of Housing and Uran Developent to the formaldehyde problem.

b. Benefits.—Formaldehyde off-gassing can pose a significant health hazard to exposed persons. The subcommittee's examination of the adequacy of the Federal response to the problem should lead to a more effective and timely solution.

c. Hearings.—Hearings were held on May 18 and 19, 1982. Printed.

31. Proposed Budget Cuts for the Federal Trade Commission and Consumer Product Safety Commission.

a. Summary.—The subcommittee examined the impact of budget reductions on the work of the Federal Trade Commission and the Consumer Product Safety Commission. The hearing emphasized how antitrust enforcement by the FTC's Bureau of Competition would be affected.

b. Benefits.—As a consequence of the subcommittee hearing and concerns expressed by consumers, small businessmen and the antitrust bar, the Federal Trade Commission's antitrust mission was essentially preserved for the 1982 fiscal year. Adequate antitrust enforcement by the FTC and others is essential to a fair, efficient and competitive market economy.

c. Hearings.—A hearing was held on March 16, 1981. Printed.

32. IRS Administration of the Windfall Profit Tax and U.S. Geological Survey's Oil and Gas Royalty Collection Activities.

a. Summary.—This hearing examined IRS' administration of the windfall profit tax and the failure of the U.S. Geological Survey, U.S. Department of Interior, to adequately collect royalties due the Federal Government from oil produced on Federal lands.

The hearing established that IRS appeared to be falling behind projections on windfall profit tax collections. It also established that the U.S. Geological Survey was seriously deficient in its collection of royalties owed the Government on oil produced from Federal lands.

b. Benefits.—The benefits are difficult at this time to quantify the loss to the U.S. Treasury resulting from IRS' failure to properly accounts for windfall profit tax collection. It may, however, be in the billions of dollars. The loss to the U.S. Treasury from the U.S. Geological Survey's failure to collect royalties due the Government, can be estimated, conservatively, at $365 million per year.

c. Hearings.—A hearing was held on April 13, 1981. Printed.

MANPOWER AND HOUSING SUBCOMMITTEE

1. The Effect of Budget Reductions on the Comprehensive Employment and Training Act. Successful Experiences in CETA's Private Sector Initiatives Program.

a. Summary. —The subcommittee has had a longstanding interest in the Comprehensive Employment and Training Act, as evidenced by its prior hearings and committee reports. During the first session of the 97th Congress three days of oversight hearings were held on CETA matters. The first CETA issue addressed by the subcommittee was the effect of the drastic budget cuts on CETA and its beneficiaries. Later the subcommittee held a two-day hearing on that part of CETA which would probably be expanded in the future: the Private Sector Initiative Program.

During the first six months of 1981 the Reagan Administration proposed, and Congress passed, legislation that greatly reduced the funding for numerous Federal social programs. One of these was the Federal program to provide training and temporary jobs for the poor and unemployed of the Nation. The Comprehensive Employment and Training Act of 1973 provides Federal monies to State and local governments for jobs (public service employment), training, and a wide range of services to help the jobless prepare for and obtain a job. Since its passage more than $38 billion has been expended through CETA. The budget cuts of 1981 reduced the amount of Federal money for CETA by approximately one-half. Even before Congress passed the massive Omnibus Reconciliation Act of 1981, the Administration had instructed CETA Prime Sponsors (the State and local governments which administer CETA) to phase out all public service jobs by the end of the fiscal year. Some 340,000 public service slots were thus terminated in one six-month period.

In the latter part of April, 1981, the subcommittee chairwoman and staff director visited Puerto Rico to determine the effects of current and proposed cuts in an area with particularly heavy dependency on CETA. They met with the Governor and key members of his staff, prime sponsors, subgrantees, and local officials. Inspection trips were undertaken to training sites, factories, and nonproift organizations. The investigating party learned that the swiftness and severity of the cuts had led to demonstrations and significant weakening of municipal services. Businessmen strongly supported the training component, citing jobs at wages well above the minimum wage and CETA clients whose absenteeism record was superior to company-hired workers. Coming on top of other social services cuts, the CETA reduction led most observers to paint a bleak picture of future economics prospects.

On May 6, 1981, the subcommittee convened a one-day hearing in Chicago, Illinois, to assess what effect the CETA budget cuts would have on the city. In addition, the subcommittee was interested in building a record of CETA programs that were successful and cost-effective. The chairwoman was concerned that many who favored drastic CETA cuts held the erroneous belief that CETA programs were rife with waste, fraud, and abuse. The hearing was intended to dispel the negative impressions that many held regarding CETA. Prevalent among these negative impressions were the beliefs that CETA training was, by-and-large, worthless and that the poor were not benefiting from the programs as they should. Studies of CETA are now yielding results showing that former CETA trainees earn more than their peers who had not been in the program. Studies of a random group of prime sponsor programs showed that CETA training led to a job for 60 percent of the trainees. By 1980, 93 percent of CETA enrollees came from the population section that subsist on incomes lower than the poverty level. CETA statistics now show large percentages of high school dropouts, chronically unemployed, persons on public assistance, and minorities. Thus, CETA funds are being spent as the law intended, "for those most in need." Because of the proposed shift in emphasis and the information obtained from the business sector in Puerto Rico and Chicago, the subcommittee scheduled hearings on the role of the private sector in future government-sponsored training programs.

Representatives of private industry councils in Boston, Denver and Indianapolis testified before the subcommittee in June about how their Title VII programs were administered and what they believed were the key ingredients for success. The witnesses all agreed that for high placement rates in private sector jobs, the design and execution of training had to be precisely geared to the requirements of specific labor-short jobs.

b. Benefits.—The subcommittee heard testimony from many segments from the city of Chicago that administered CETA programs. Witnesses included representatives from the Chicago archdiocese, the business world, community based organizations, and the city government itself. The subcommittee members were impressed by the number of quality CETA-funded efforts. They learned that for many poor people, CETA was the safety net that the President had promised would never be taken away. The Commissioner of the Department of Human Services stated that the CETA cuts may end up costing more than saved when added welfare costs, increased expenditures for crime, and additional unemployment compensation are added to the equation. By the Commissioner's figures, for every dollar of CETA that is cut, there is a risk of increasing government outlays by almost three dollars.

The hearing record is one city's account of successful training and, jobs programs. It rebuts the negative myths surrounding CETA. It is evidence for continuing a Federal job training effort. It will be useful in the future fights over the Federal role and commitment in manpower programs.

It is expected that the hearing record on successful private sector initiatives programs will be useful in the restructuring of CETA that is now occurring. The present CETA law expires September 30, 1982. All parties agreed that an expanded private sector involvement will be a major part of a new Federal manpower law.

c. Hearings.—The hearings, entitled "CETA: Reduction and Redirection," were held in Chicago on May 6 and June 23, and 24, 1981, in Washington, D.C. The hearings are available from the subcommittee.

2. HUD's Management of the Fiscal Year 1982 Housing Counseling Program.

a. Summary.—The Housing and Urban Development Act of 1968 extended homeownership opportunities to many unable to qualify under earlier requirements. The legislation provided Federal subsidies for individuals with low incomes to purchase homes, in addition to lowering eligibility criteria and making regulatory changes. Many lenders felt pressure to be more willing to lend money to marginal borrowers or on marginal properties. Although there were successes, the failures were far more visible as large areas of major cities experienced the devastation of widespread foreclosures in low-income, working class neighborhoods. Vandalism often followed, accelerating the process of neighborhood decay.

Administrative problems with housing programs played a role, as did underwriting loans that obviously would not be repaid. Another major problem was the inexperience and lack of homeowner management skills by the new homebuyers—especially those with low incomes. Buyer education could help prevent some losses that otherwise would plague those programs. The vehicle for this was HUD's Homeowner Counselling Program, which certified local housing counselling grantees and later provided grants to counsel HUD-referred homeowners. This counselling service was broadened to include counselling for any eligible consumer of HUD programs, not just homeowners.

In President Carter's fiscal year 1981 budget, Housing Counselling was budgeted at $10 million for comprehensive counselling. Ordinarily, this money would have been in the hands of approximately 330 counselling agencies by February or March of 1981, after the certified agency applications were evaluated, rated, and ranked. The new Administration froze the money and submitted a new budget request for $4 million, to be used for homeowner default and delinquency counselling only. The initial notification of grant awards was disapproved in HUD's executive office, pending a new budget. After the 45-day period required for congressional action lapsed, many inquiries about 1981 funding flooded HUD. HUD's official position through July was that evaluation was still underway. This contrasted with two other facts: (1) evaluations, ratings, and rankings were completed in early February with no opportunity to obtain additional data within fiscal year 1981; (2) at least $4 million for a minimum default and delinquency (D&D) counselling was always available. The hearings explored HUD's funding of this program because the local agencies eventually received under $2 million (another 400,000 went to Treasury). This was less than one-third of the money appropriated by Congress and about half the amount the President proposed. Why did this cost-saving program wind up so woefully underfunded?

The hearings disclosed that the HUD office responsible for the program attempted to award the assured $4 million, for D&D use only, in May. HUD officials agreed that it is not unusual to make an award for efficient administrative puposes and later amend the contract to subsequent legal specifications should that be necessary. But the Secretary's office disapproved the request to make awards. Speed was important because the agencies had used up their previous grants by the end of January. In addition, HUD knew of the congressional requirement that the 4th quarter spending was limited to 30 percent of annual funding, when the OMB Director granted a waiver.

HUD took no steps to prepare for a rapid dissemination of awards when the congressional appropriations became available. Its rating and ranking system for fiscal year 1981 could not be changed materially, regardless of whether the funding was for comprehensive counselling (which the Senate wanted at $10 million) or D&D only (which the House wanted at $4 million). Final congressional action appropriated $7 million for comprehensive counselling on June 5, 1981. Although HUD could have issued the bulk of the awards in the 25 days remaining before the last fiscal quarter, it apparently chose to proceed more leisurely (even though agencies had been without HUD funds for several months) and anticipate an OMB waiver of the 4th quarter spending limitation. Out of 13 requests for waivers, OMB denied the waiver of spending limitation for *only* Housing Counselling. HUD did not appeal the OMB decision.

At the hearing, HUD officials stated that they had no new information to provide OMB that might mitigate the decision. HUD chose to absorb the almost $5 million loss in funds imposed by the 30 percent fourth quarter spending limitation, leaving only $2.2 million for counselling agencies.

However, the responsible office at HUD had informed the Secretary of the devastating impact the restriction would have on the program if not waived. The initial sketchy information made available to OMB as part of a letter requesting 13 waivers was not augmented either before or after its decision. The OMB director's affidavit at a subsequent lawsuit brought on behalf of the counselling agencies said it was impossible to conclude that the counselling program would be damaged unless a waiver were granted. Yet this is what the program's director told the Secretary in a memo to be used to request a waiver. Furthermore, OMB's decisions were based on the erroneous assumption that alternatively Community Development Block Grant (CDBG) monies would be available to counselling agencies locally. Had OMB inquired at HUD's CDBG office or at a sample of large and small CDBG cities, it would have been told how uninformed that assumption was. As a consequence of this series of ill-advised actions, only 217 agencies were funded, with minimal grants of $5,000 and maximum grants of $12,000. This contrasts sharply with the approximately $10,000–$62,000 grants received in fiscal year 1980. A lawsuit is currently in litigation.

b. Benefits.—By most recent estimates, the HUD mortgage insurance fund loses $13,000 on the average foreclosure. It only costs $100 per consultation to educate a homeowner on how to avoid loss of his home. For every $1 invested in housing counselling, the Federal Government saves $10–$20. At a conservative rescue rate of 10 percent, the savings to the Federal Government could read $70,000,000 if the congressional appropriation had been followed. Many agencies exceed that 10 percent rate. One agency alone could have saved 125 foreclosures, which would have saved HUD's insurance funds close to one and one-half million dollars, or 87 percent of the money HUD and OMB spent on the program in fiscal year 1982 despite the intent of Congress.

c. Hearings.—The hearing, "HUD's Support of Housing Counseling Programs," was held October 27, 1981, in Washington, D.C. The hearing is available from the subcommittee.

3. HUD Support of Local Public Housing Authorities.

a. Summary.—Public Housing is an irreplaceable resource in governmental action to provide decent housing for those unable to afford it. Almost three and one-half million Americans are housed in the million-plus units operated by 2,700 local authorities.

The Federal Government has invested over $20 billion in public housing; it would cost $75 billion to replace it at today's prices. Available lower income housing is increasingly rare. Almost no units are being produced by the private sector, and government-promoted construction is scheduled for severe cuts. All this makes conservation of these units essential, yet public housing is deteriorating at a serious rate. Many authorities are experiencing severe financial difficulties and some of them are not managed as well as current knowledge allows.

Executive directors of public housing authorities have issued stark predictions of the fate of this housing if Federal support is cut. Federal subsidies are provided because the law prohibits authorities from charging a tenant more than 25 percent (recently increased to 30 percent) of income for rent. Because inflation has consistently outpaced Administration forecasts, authorities have been short-changed in the recent past. Current proposals call for a level of support that is inadequate from the outset.

During the hearings, subcommittee members learned that in addition to the problems created by inequitable Federal reimbursements, housing authorities saw few incentives in the present system. Improvements in management often resulted in dollar-for-dollar reductions in performance funding subsidies. Disincentives were also cited. Modernization funding often went to authorities in trouble, including those whose mismanagement had contributed to the problem. Certain regulations of the Department of Housing and Urban Development, notably its lease and grievance procedure, were blamed for adding to the difficulties of managing public housing by making it difficult to evict problem tenants, delaying eviction of non-payers, and running up higher legal costs.

HUD officials conceded problems with the performance funding system used to compute operating subsidies but warned that it could not be changed quickly. Deficiencies in lease and grievance procedures were also admitted but swift resolution was not offered. HUD officials did state, however, that they intended to act forcefully against mismanaged authorities.

Following the hearings, the subcommittee monitored developments in HUD's public housing office. Several meetings were held which explored issues arising from the hearing. Because of the severe effects that would result from funding cuts now under consideration, additional hearings are contemplated.

b. Benefits.—Subcommittee concern early in the year drew the problem of public housing to the attention of high-level departmental officials and confronted them with the assertions of responsible authority directors and tenant organizations. In subsequent actions, HUD's response to identified management deficiencies evidenced the firmness promised during questioning at the hearing.

c. Hearings.—The hearings, held in Washington, D.C., on May 19 and 20, 1981, are entitled, "HUD's Support of Local Public Housing Authorities." These hearings are printed and available from the subcommittee.

4. HUD Management Response to Inspector General Reports.

a. Summary.—One of the first acts of the new Administration was the wholesale removal of Inspectors General. The slowness in filling these top positions raised questions about the emphasis that these activities would receive. In addition, the proposed widespread relinquishment of Federal administration in favor of State or local discretion posed the issue of whether diminished Federal oversight could account for tax dollars effectively.

One of HUD's major Inspector General efforts, paralled by General Accounting Office work, was a broad investigation of the Community Development Block Grant (CDBG) Program. This provided an excellent case study of what might be anticipated if Federal programs were converted in wholesale fashion to block grants.

The subcommittee learned that in some cases, such as in Los Angeles, non-HUD audits had not disclosed the severe problems later uncovered by HUD auditors. Testimony showed that the Inspector General Offices' action in the block grant area were responsive to one of the subcommittee's concerns—that individual audits or investigations be scrutinized to determine whether they were part of a pattern. The IG assessed a variety of CDBG operations and found common problems among them. In this case, Federal involvement (which is limited to selective cases) was necessary to obtain a valid determination of accountability.

However, even when audits disclosed severe problems, management response was limited. The CDBG program office had limited sanctions against cities that had badly mismanaged Federal funds and stated that it believed the Congress wanted cities to have broad discretion. Remedial measures such as training of rehabilitation staff were offered, but not required of cities with demonstrated program weakness. Further, resolution of disagreements between the IG and the program office was excessively time-consuming in the areas discussed at the hearings.

On the issue of top-level support, the subcommittee received assurances that the IG function would receive strong backing. Subsequently, the former HUD Inspector General was reappointed.

b. Benefits.—These hearings early in the year served to emphasize the subcommittee's concern with oversight and drew the importance of the IG function to the attention of high-level HUD officials. The subcommittee was able to determine the procedures used to maximize the effectiveness of IG resources and ensure IG input into HUD regulations. Community Development Block Grants experience demonstrated the importance of IG recognition that certain problems could be recurring throughout a system. It also showed that Federal efforts seeking accountability for these funds are limited and that sanctions against poor management are weak.

c. Hearings.—"HUD Management's Responsiveness to Inspector General Reports" were held on March 11 and 12, 1981, in Washington and are available from the subcommittee.

5. Improvements Needed in the Administration and Management of the Mine Health and Safety Act.

a. Summary.—The Federal Coal Mine Health and Safety Act of 1969 provides the basis of coal mine health and safety regulation. This Act was amended in 1977; it then transferred the enforcement responsibilities from the Department of the Interior to the newly created Mine Safety and Health Administration in the Department of Labor. In 1977, Congress decided the health and safety of the miner to be the first priority of the mining industry. There was an urgent need to provide more effective methods for improving working conditions and practices in the Nation's coal mines to prevent serious physical harm, occupational disease, death, grief, and suffering to miners and their families. The existence of unsafe and unhealthy conditions and practices in the coal mines was a serious impediment to further growth of the mining industry and could no longer be tolerated.

Our investigation revealed that the operators of those mines, with the assistance of the miners, have the primary responsibility of preventing and eliminating such dangerous conditions and practices in the mines. Other purposes of this Act are to encourage employers and employees to reduce the number of occupational safety and health hazards in mines by instituting (as well as perfecting existing) safety and health programs. This involves conducting investigations and inspections of all mines. The hearings revealed that considerable improvements were needed in this area.

MSHA is responsible for assessing civil monetary penalties for violations of the Act; examining, approving and monitoring industry plans to ensure compliance under the MSHA Act; certifying equipment and materials for use in mines; promulgating standards for mine safety; and developing programs and materials to train mine inspectors and technical support personnel. More emphasis on these responsibilities was found to be needed. This Act also requires MSHA to conduct four regular inspections a year at underground mines, but this proved not to be actual practice.

b. Benefits.—Mine inspectors made the overall difference in the mines. Miners felt that improvements could be made in conducting investigations and inspections that would benefit both miners and mine operators. Cutbacks in the inspection staff would increase mine fatalities. The industry felt that inspections and investigations are too time consuming, and seriously hamper productivity, and should therefore be curtailed. While this would save operators the expense of making safety improvements, it would cost society untold millions in health and fatalities.

It was agreed that education and training is essential in today's coal mines and should be continued. This program has proven to be most cost-effective and serves as a firsthand deterrent to cornercutting activity that miners sometimes engage in. The area of investigations and inspections can be deemed as life versus dollars, which makes it difficult to affix a dollar value. The hearings substantiated that cutbacks in this area will also increase mine injuries and fatalities.

c. Hearings.—"The Mine Safety and Health Administration," February 18 and 19, 1982, Washington, D.C. To be printed.

6. Federal Home Loan Mortgage Corporation Decision To Enforce Due-on-Sale clause.

a. Summary.—The Mortgage Corporation was created by Congress through 1970 legislation under Title III of the Emergency Home Finance Act of 1970. The mission of the corporation is to increase the availability of mortgage credit by developing and maintaining a nationwide secondary market for residential conventional mortgage loans. It purchases conventional single family (one-to-four units) fixed rates and adjustable rate mortgage loans. It buys principally from savings and loan associations but is authorized to buy from other thrift institutions, commercial banks, and HUD-approved mortgages. It also issues conventional mortgage securities. The decision to enforce due-on-sale clauses was announced on July 2, 1982, with an effective date for implementation on August 2,

1982. The new policy and the manner in which it was announced angered many homebuyers, homesellers, and realtors.

The Mortgage Corporation justified this action by disclosing the current status of their mortgage-backed securities, participation certificates (PC's) on the investment market. In order to attract investors, the secondary market relies upon certain tenets that allow investors to assess their risk-yield position. The Corporation became fearful that investors would be attracted by investment markets with far less risk and would reallocate their funds away from the housing industry.

The implementation date of August 2, 1982, was later, postponed until after Jauuary 1, 1983, in recognition of action that was taken in the Senate.

b. Benefits.—Testimony was given by representatives of the Mortgage Corporation and an official of the National Association of Realtors. The Corporation defended its position by outlining some of the financial consequences that may have to be dealt with in the absence of such a decision, affecting some of the $32 billion in mortgages now being held by the Corporation and over $26 billion in mortgage participation certificates. In order to uphold the credibility and protection of its securities, the Corporation expressed great reluctance in reversing this longstanding policy of allowing mortgage assumptions to homebuyers.

c. Hearings.—"The Federal Home Loan Mortgage Corporation's Decision To Enforce Due-on-Sale Clause," August 5, 1982; Washington, D.C. To be printed.

7. Administration of the VISTA Program and Its Proposed Elimination

a. Summary.—VISTA (Volunteers In Service To America) was reorganized and combined with six other existing Federal volunteer programs to create the ACTION agency in 1973. It is a unique volunteer program that helps low-income Americans build self-improvement and self-reliance capacity in their own communities. Volunteers 18 years and older participate in urban and rural projects related to basic education, employment counseling, economic development, housing and community planning, health care, and social service delivery on 24-hour availability for 1-year terms.

The decision to eliminate the VISTA program was made on a basis not clearly delineated or understood by anyone except ACTION officials and Administration insiders. The committee investigation revealed allegations and evidence on ideological grounds for the proposed VISTA elimination. The Agency further contended cost-effectiveness to be the basis for the decision, but failed either to provide its own official program evaluation or to marshal persuasive comparative cost-effectiveness data to make its case.

In addition, the Agency (1) distributed hit-lists of voluntary groups and organizations it recommended should not be funded by public or private groups for ideological reasons; (2) centralized program decisions regarding funding (contrary to other Administration efforts to decentralize programs to state and local levels); (3) used VISTA funds for new initiatives that have little or no antipoverty focus as required by law; (4) incurred excessive administrative expenses that have not been explained in detail but were paid for with VISTA funds in whole, part, or temporarily, and (5) attempted to reprogram VISTA appropriation without an official act by (or consent from) Congress. The complexity and entanglement of the many administrative, fiscal, management, and financial issues have resulted in a congressional request for a thorough GAO investigation of VISTA program management and the general administration of ACTION.

b. Benefits.—The subcommittee analyzed testimony from VISTA projects, charitable organizations, and former VISTA officials under Republican and Democratic administrations. All agreed that VISTA was a highly cost-effective and comprehensive way to encourage voluntarism in ways that could be locally determined by targeted low-income beneficiaries. Testimony from several sources credited VISTA with being the primary factor in attracting other voluntary resources and contributions to local projects. The most recent study of VISTA showed a VISTA volunteer to leverage approximately $24,000 in additional voluntary resources as well as local private volunteers. Philanthrophies often used the presence of VISTA as a positive sign of the execution capacity of an applicant.

The continuation of VISTA, even with considerable modification of program guidelines regarding political activities, ensures (1) that the anti-poverty mission does not get ignored in ACTION; (2) that local communities will not have the Federal Government dictating what kinds of voluntary projects they will have; and (3) that the program has sufficient comprehension and flexibility to obtain the objectives of a multitude of smaller narrow voluntary projects that are administratively much more expensive. Finally, with VISTA, millions of dollars could be saved on new initiatives that incur both high administrative and volunteer costs to accomplish limited objectives for the most vulnerable low-income and disadvantaged populations in need of human services. This would simultaneously free up thousands of salary dollars now used for schedule B and C personnel in ACTION appointments associated with costly new initiatives.

c. Hearings.—There were two sets of hearings for this investigation. The first hearings (entitled "Rationale for the Proposed Elimination of VISTA") were held March 23 and 24, 1982. The second and concluding hearing was held jointly with the House Education and Labor Committee's Subcommittee on Select Education, June 9, 1982. The joint hearing is entitled "Oversight of ACTION's Proposal To Eliminate VISTA." None of the hearings for this investigation have been printed.

8. Office of Management and Budget Control of OSHA Rulemaking

a. Summary.—Shortly after taking office, President Reagan issued Executive Order 12291 for the purpose of exercising greater Presidential control over the promulgation of regulations by Federal agencies. The order requires that new rules or regulations be subjected to cost-benefit analyses as defined by the order and be approved by the Office of Management and Budget before public rulemaking can begin. The order also grants to the Presidential Task Force on Regulatory Relief the power to target existing regulations for review by the original promulgating agency, using as a standard the cost-benefit requirements of the order.

In the spring of 1982, the subcommittee examined the impact of E.O. 12291 on existing and proposed regulations issued by the Occupational Safety and Health Administration (OSHA) in the Department of Labor. A proposed regulation on the identification of toxic industrial chemicals was rejected by OMB on the basis of the Executive Order. OSHA's existing standard on commercial diving activities was targeted by the Task Force on Agency Review. The subcommittee's detailed review of these two decisions by OMB and the Task Force revealed potential conflicts of interest, ex parte contracts, and the unconstitutional displacement of agency authority.

The subcommittee will consider a report based on this review in the next Congress.

b. Benefits.—As a result of the subcommittee's investigation, the Office of Management and Budget released the toxic chemical regulation in order that public rulemaking could begin. The Department of Labor estimates that the new regulation will save $5.6 billion in decreased cancer deaths and medical expenses.

c. Hearings.—"Office of Management and Budget Control of OSHA Rulemaking," March 11, 18, and 19, 1982, Washington, D.C. To be printed.

9. Safety and Offshore Oil.

a. Summary.—In each Congress since the 94th, the Manpower and Housing Subcommittee has conducted oversight hearings on the Administration of the Occupational Safety and Health Act by the Department of Labor. The health and safety of working men and women has been a major priority of the oversight subcommittee since 1975. During the second session of the 97th Congress, the subcommittee initiated a review of occupational health and safety problems on offshore oil and gas rigs.

The subcommittee became interested in health and safety on offshore rigs as a result of several major catastrophes resulting in multiple deaths. The subcommittee investigation was a continuation of the oversight work relating to OSHA's commercial diving standard and the present Administration's attempt to weaken that standard (see above).

Tens of thousands of people work on oil and gas rigs located on the U.S. Outer Continental Shelf. Studies by the National Academy of Sciences have determined that these workers suffer abnormally high rates of occupationally caused injury, disease, and death. Yet, despite the inherently hazardous nature of the work, there is little Federal regulation or enforcement of existing health and safety regulations. The subcommittee's inquiry revealed large gaps of coverage exist between the jurisdictions of the agencies with responsibility: The U.S. Coast Guard, the Occupational Safety and Health Administration in the U.S. Department of Labor, and the relevant State agencies.

b. Benefits.—As a result of the subcommittee's work, the agencies have formed a coordinating committee to deal with jurisdictional problems. In addition, both OSHA and the Coast Guard began studies of the causes of accidents on oil and gas rigs with a view towards further regulation.

c. Hearings.—"Safety and Offshore Oil," June 7, 1982, New Orleans, Louisiana. To be printed.

GOVERNMENT ACTIVITIES AND TRANSPORTATION SUBCOMMITTEE

1. FAA's Plans for Development of an Aircraft Collision Avoidance System.

a. Summary.—Although intertwined with investigation of the failures of FAA's current air traffic control computers that resulted in a formal report, the subcommittee conducted a separate, ongoing, distinguishable investigation and review of the agency's plan for implementing a collision avoidance system.

FAA has been engaged in research, development, and planning for an automated aircraft collision avoidance system for over a decade. This program has frequently been criticized for its ponderous duration and for its seemingly inexorable progress toward an extremely complex and expensive future system.

At the beginning of 1981, FAA's plans called for a phased introduction of equipment and systems beginning with: (1) "active BCAS" or Beacon Collision Avoidance System, followed by (2) "full capability BCAS," and ultimately (3) the Automated Traffic Advisory and Resolution Service, or ATARS in the late 1980's.

All of this has now been changed by yet a new Administration in 1981. The current plan calls for near term adoption of derivatives of the active BCAS system labeled Threat/Alert-Collision avoidance system, or T-CAS I and T-CAS II and cancellation of the ATARS program, which was estimated to have a capital cost in excess of $500 million.

b. Benefits.—A precise estimate of benefits is impossible to arrive at, but maintenance of oversight of the evolution of these plans is essential. To the extent that the subcommittee's critical oversight played a role in bringing about the most recent agency review, cancellation of the $500 million ATARS project and a reduction in overall capital cost plans in the billions of dollars has resulted.

2. Fraud, Waste, and Abuse at the General Services Administration.

a. Summary.—The subcommittee continued its investigation of efforts to correct and prevent fraud, waste, and abuse at GSA. With the new Administration purporting to place greater emphasis on correcting the problems revealed in the recent scandal, the subcommittee was taken aback by the wholesale removal of inspectors general, including that of GSA, at the beginning of the year. The subcommittee's investigation sought to determine if GSA's commitment to remedial action was being maintained through the seemingly inevitable new round of reorganization and appointment of yet another new inspector general.

The subcommittee was told at a public hearing that, astonishingly, almost nothing had changed at GSA in the two years since the scandal had broken, despite over 100 indictments. The chief of GSA's Audit Division stated that opportunities for fraud, waste, and abuse remained and that numerous audit findings remained unresolved. The subcommittee examined specific instances in which high level GSA managers had mishandled funds and accepted free hotel accommodations at out of town agency meetings. At least one of the officials was subsequently reprimanded and given a suspension, and then, incredibly, was also given a Senior Executive Service merit bonus.

The subcommittee also attempted to determine how and why GSA had negotiated contracts for purchasing office furniture with a face value of over $100 million while the President had explicitly placed a moratorium on such purchases.

The new GSA Administrator has made a number of organizational changes designed to improve matters which the subcommittee will be evaluating. GSA will also be severely affected by RIFs which may affect its capacity to perform its basic mission.

b. Benefits.—Direct benefits are impossible to calculate, but the Congress must maintain pressure to see that true remedial action is taken at GSA.

c. Hearings.—Hearings were held on April 13, 1981, and the transcript has been printed.

3. Administration Proposals To Help the U.S. Auto Industry.

a. Summary.—In January 1981, the outgoing Administration at the Department of Transportation issued a lengthy report proposing a wide range of subsidies and trade protections for the domestic auto industry; then announcing severe economic losses. The report received initial support within the new Administration. The subcommittee's review of the proposals left a number of unanswered questions both as to whether the proposals would in fact work and even if they would work, whether they were advisable.

Subsequently, the Administration retreated from some of the proposals. Subcommittee hearings on May 13 and 14, 1981, produced no consensus on an appropriate response for the auto industry's problems. However, substantial evidence was received indicating that relaxation or repeal of regulations affecting crashworthiness, fuel efficiency, and emissions would not significantly aid the industry in its competition with foreign manufacturers, but may act in the reverse by opening up new avenues of foreign competition.

b. Benefits.—Benefits are not quantifiable except to the extent that the high cost of the doubtful direct aid proposals and the possible deleterious effects of the regulatory proposals for the auto industry were put on the public record.

c. Hearings.—Hearings were held on May 13 and 14, 1981, and the transcripts are printed.

4. Impact of Budget Reductions on FAA Operations.

a. Summary.—The budget cuts for Fiscal Year 1982 imposed on the FAA by the new Administration were reportedly the first actual reductions the agency had ever experienced. They followed years of very stringent budgets under the prior Administration, during which the subcommittee had observed a number of agency functions, particularly in aircraft and airline certification, were under funded.

The FAA announced plans to absorb a portion of the reductions by closing its regional offices in the three largest cities, New York, Los Angeles, and Chicago, and folding their functions into smaller offices in New England, Seattle, and Kansas City. Very strong objections were raised as to whether this consolidation plan would in fact save any money or made sense in other ways.

The Administrator of FAA conceded that all the financial implications had not been considered and promised to review the proposal. Subsequent to the air traffic control strike in August, Administrator Helms rescinded the plan, and closed only two regional offices, in Denver and Honolulu.

b. Benefits.—This investigation forestalled a plan which could have resulted in the obligation of substantial hidden costs—rather than savings—for items such as rental of new space while vacating existing facilities, increased travel from field offices to regional headquarters, purchase of new automated data processing equipment to replace existing equipment too expensive to move, and personnel relocation expenses.

c. Hearings.—Hearings were held on August 20 and 21, 1981, and the transcript has been printed.

5. Federal Travel Management Improvements.

a. Summary.—Pursuant to requirements contained in P.L. 96-345, reported by the subcommittee in the last Congress, the subcommittee received and reviewed the first of three reports on improving management of Federal travel costs. GAO also has made a number of proposals for improvement (FPCD-81-3, "Proposals for Improving the Management of Federal Travel"). Substantial areas for improvement were found, primarily in the areas of: (1) reducing the use or abuse of blanket travel authorizations, (2) reducing the complexity of requirements, and (3) reducing the paperwork and associated costs of travel vouchers.

The subcommittee initiated a study of restraints and requirements imposed on reimbursable travel by Federal contractors by GAO. (Federal Contractors Employee Travel and Relocation Cost Reimbursement Differ, FPCD 82-35, July 20, 1982.) A surprising finding is that while Federal contractors generally do not abide by restrictions applied to agency personnel but simply reimburse for whatever is spent, their average costs are virtually identical to the government's. Yet the Federal Government spends an estimated $400 million per year processing and auditing travel vouchers.

Both the lines of inquiries are being pursued by the subcommittee.

b. Benefits.—Benefits are not determinable at this time but the potential savings are substantial since the Federal Government spends $4 billion per year on travel.

6. Enforcement of National Marine Sanctuary Protections.

a. Summary.—The Marine Protection, Research, and Sanctuaries Act of 1972 was amended August 29, 1980, to give the Coast Guard joint responsibility with the Secretary of Commerce to enforce regulation of National Marine Sanctuaries. In March, Commerce Department's NOAA suspended regulations that would have the effect of prohibiting hydrocarbon developments in two new sanctuaries, namely, the Channel Islands NMS and the Point Reyes-Farallon Islands NMS. Letters were written on April 17, 1981, to the Commerce Department and Coast Guard concerning legal and administrative matters bearing on possible opening up of the sanctuaries to hydrocarbon developments. The Congressional Research Service was asked to study certain procedural questions related to the Commerce Department's regulatory actions. On April 28, 1981, the subcommittee Chairman, with the chairmen of the Commerce, Consumer and Monetary Affairs, and Environment, Energy, and Natural Resources Subcommittees, wrote to Interior, Commerce, EPA, and Coast Guard, requesting pertinent documents relating to the regulatory actions covering the two sanctuaries. The Congressional Research Service report subsequently received raised questions over the procedural legality of the repeated suspensions of the regulations, which together with vehement local opposition to the plans of the Department of Interior promised extensive and prolonged litigation. The Department of Interior eventually abandoned plans for leasing offshore oil drilling rights and the sanctuary protections were effectuated.

b. Benefits.—The subcommittee's investigation played a part in turning back an ill-considered offshore oil leasing proposal that would have inevitably resulted in prolonged and expensive litigation between the State of California and the Federal Government at the least and possibly resulted in irreversible environmental damage to a congressionally mandated environmental preserve.

7. Aircraft Cabin Safety.

a. Summary.—In addition to the formal report described in I.A.3 above, the subcommittee conducted several other investigations of aircraft cabin safety issues.

The first involved a regulatory interpretation allowing the use of untrained and unqualified personnel to replace striking flight attendants on commercial airline to serve food and beverages. The subcommittee asked FAA what the status of these personnel was, as FAA flight inspection reports indicated they were placed on the aircraft under 14 CFR 121.583. The agency's response stated that section 121.583 did not apply, but the supernumeraries complied with "all applicable parts of FAR 121," without saying what was applicable. Agency personnel then verbally stated that part 121 did not apply as these supernumeraries were neither passengers nor crew.

The result was that individuals who were not qualified to serve as flight attendants under existing Federal Aviation regulations were allowed to be placed in positions where they may have been called upon to perform emergency flight attendant duties such as securing a cabin and galley during clear air turbulence or responding to a hijacking or medical emergency. The subcommittee's inquiry brought to light what was either a gap in the FAA's Regulations or a case in which the agency's "minimum standards" were bent at the behest of an air carrier faced with a labor-management conflict.

The second investigation was a continuation of a longstanding subcommittee concern about FAA's continued granting of regulatory exemptions to allow airlines to remove life rafts from aircraft flying more than 50 miles from shore. Despite promises made at a subcommittee hearing in 1979, 18 exemptions have been granted while FAA has been "planning to initiate a study" of the subject regulations for two years. These exemptions have been granted on the dubious grounds that there have been no recent jet aircraft "ditchings," despite the fact that there have been 48 turbo-jet "unintentional water contacts." The subcommittee's investigation came after two years of inaction prompted the Airline Pilots Association to formally petition FAA to do something to conform the regulatory requirement to currently available and in use technology.

After years of subcommittee hearings and attention to the regulations on evacuation tests for aircraft, the subcommittee was disappointed to hear that the Boeing Company was proposing to skirt the regulations in certificating its two new aircraft, the 767 and 757.

First, the subcommittee was informed in April of 1982 that the FAA had approved an evacuation test plan for the 767 aircraft with 290 passengers on board but only 240 seats. After the subcommittee objected in a letter on April 30, 1982, FAA discovered that the aircraft and test plan lacked not only the required seats but also lacked enough doors. The test plan was subsequently revised to conform with the regulations, and the Administrator responded to the subcommittee's letter with assurances that proper evacuation demonstrations would be conducted.

Next, the subcommittee learned in August, 1982, that Boeing proposed to certificate the 757 aircraft without an evacuation demonstration at all, but rather show compliance by paper analysis. The subcommittee again voiced its objection and again demonstrations in compliance with the regulations were required.

b. Benefits.—The benefits are not quantifiable. If the subcommittee's efforts ultimately result in adequate water survival equipment requirements, the potential exists for avoiding the hundreds of millions of dollars of economic loss that now attend any airline accident, such as the crash of a National Airlines' 727 in Escambia Bay, Florida, in 1978, three days after FAA had allowed removal of all life rafts, where major loss of life was averted only by a virtual miracle.

8. Air Traffic Controllers' Strike—System Status in the Aftermath.

a. Summary.—The subcommittee conducted an intensive investigation and review of the safety provided by the FAA's Air Traffic Control (ATC) System after the air traffic controllers' strike on August 3, 1981. Despite the loss of some 12,000 controllers due to the strike and the subsequent firing of the controllers by the President, FAA continued to operate the ATC system on a reduced and restricted basis. The agency announced plans to rebuild the system over the next two to three years by training a new workforce and using supervisors, military controllers, retirees, and furloughed pilots to supplement the remaining controllers in the meantime. Aviation traffic under instrument flight rules (IFR) was severely restricted to 50 percent of its prestrike levels and then gradually eased over the last sixteen months to where traffic is only restricted at 20 "pacer" airports to about 90 percent of prestrike levels at present.

The subcommittee was concerned that the safety of the system and the traveling public not be compromised as just an element in a labor-management dispute. A number of issues pertinent to this concern were examined:

Staffing Qualifications: The subcommittee sought and received assurances that only fully qualified controllers, mainly line supervisors, were handling traffic. None of the various investigating bodies, including the National Transportation Safety Board (NTSB) field investigation team found any unqualified individuals actually handling air traffic, although a great many of the remaining workforce had been somewhat hastily "certified" in the month before the strike.

System Performance Reporting: With a skeletal workforce operating the system for severely restricted levels of traffic, announced plans to increase traffic raised the prospect that the system could become overburdened to the point where safety would be impaired. The subcommittee spent great effort looking for and evaluating various indices or measures of ATC system safety, amid a highly charged atmosphere where strikers sought to portray the system as unsafe and the FAA attempted to assuage fears and discredit allegations. The results from reporting systems for near midair collisions (or "near-misses") and "system errors" were examined but did not provide determinative evidence. Three such systems, run by FAA, NASA, and a private foundation, all had different figures and each ultimatley relied on voluntary reporting by participants. The FAA further clouded matters by maintaining that there had been only one "system error" in August, 1981, and then owning up to thirty in testimony before the subcommittee, without any explanation. More disturbing was the effect the strike had on NASA's anonymous Aviation Safety Reporting System. Whereas historically, about half the safety errors reported to NASA had come roughly equally from pilots and controllers, after the strike safety reports from controllers dropped to nine percent of the total while the level of pilot reports stayed about the same. This at least implied that the non-striking controllers simply weren't reporting errors or safety problems.

To get around the problem of voluntary reporting, the subcommittee attempted to examine selected print-outs of the automated Conflict Alert programs, installed in ATC computers. This proved fruitless because the FAA simple could not make the date accessible. First, they strenuously pointed out that the conflict alert system does not routinely alert for real conflicts in flight paths, but in fact has a false to true alert ratio of between 100 or 1000 to one. Further, the agency was unable to provide a data key that fit the printout data array. Instead, the agency hand lettered data identity keys on each page of one of dozens of printouts. Hand labeling data on a printout paper stack about six feet high would have been required just to make the data readable. The subcommittee abandoned the conflict alert system as a safety gauge.

Controller Fatigue: After the strike, the remaining controllers were required to work long hours, six days a week. Under this regime, the question of whether fatigue would adversely affect the workforce became an issue of wide concern. The FAA began making public statements that no one was being scheduled to work more than 48 hours per week. The committee obtained copies of the actual duty logs at certain facilities and found that, in fact, about 15 percent of the controllers at certain hard hit centers were working 10 hours a day or more a month after the strike. The FAA subsequently wrote to the subcommittee admitting that some controllers were "inadvertently working" more than 48 hours per week to keep the system working. Eventually, NTSB formally recommended to the FAA that an objective program to detect fatigue in the controller workforce be instituted. FAA largely ignored the recommendation.

b. Benefits.—A precise estimate of benefits is impossible to arrive at. There was and is, however, substantial public concern about the safety and economic impact of the reduced ATC system. To the extent the subcommittee's hearings and investigation aired and addressed the concern, the public benefited.

c. Hearings.—Hearings were held September 9 and 10, 1981, and March 17 and 18, 1982, and they have been printed.

9. Potential Hazardous Obstruction at San Francisco International Airport.

a. Summary.—Early in 1982 the subcommittee began reexamining the issues involved in FAA's no-hazard determinations for possible obstructions near airports. The committee issued a report on this subject in 1978 (H. Rept. 95–1053), and members of the Air Line Pilots Association (ALPA) urged the subcommittee to investigate this area with respect to two proposed hotel structures adjacent to San Francisco International Airport.

The subcommittee found that virtually nothing had been done since 1977. The advance notice of proposed rulemaking issued in 1977 has never been republished, and the inadequacies of Part 77 of the Federal Aviation Regulations (14 CFR 77) delineated in the committee's report remained, now five years later.

ALPA representatives were particularly concerned about no-hazard determinations issued by FAA for two hotel buildings of 71 feet and 134 feet in height off the left end of runway 19 at San Francisco International Airport. The pilots' concerns can be described as follows:

Runway 19 is only used in bad weather conditions when prevailing winds are reversed, usually with poor visibility and often with downdrafts from the nearby hills.

Current take-off procedure for the runway calls for an immediate left turn over the hotel sites, both for noise abatement over Burlingame and to avoid the hills in Millbrae.

If these buildings were proposed for sites off the end of the runway, FAA rules on hazardous obstructions would prohibit their construction. Yet they are being allowed under the early turn flight-path because FAA doesn't have any adequate rules for departure clearances or turning departures.

The only reference to departure clearances is in 14 CFR 77.23(a)(3) which says an object is an obstacle if it invaded the required obstacle clearance provided by the minimum instrument flight altitude. To define "required obstacle clearances" and "minimum instrument flight altitudes" for these departures, the FAA then applies by reference the Terminal Instrument Procedures (TERPS) manual. But the TERPS manual was not designed for this use, and utilization of the minimum instrument altitude surfaces to define obstacle maximum height, results in a required obstacle clearance of zero.

The TERPS manual, Part 77, and therefore the no-hazard determinations assume a normally operating plane. If a large jet had an engine failure at take-off, it may not be able to attain the minimum altitudes over the hotels.

And even under normal circumstances, when visibility is poor so that pilots won't be able to see the hotels from the start of takeoff roll, crews will tend to overshoot the turns, creating more noise in the Burlingame residential areas.

FAA's Response Can Be Described as Follows:

One of these sites was the subject of a prior determination by the then acting Administrator in 1975 that a structure 72 feet high would not pose a threat. The land had been traded on that basis and a reduction in permissible height would surely bring litigation. FAA may not have directly applicable regulations, but it had to base its decision on what it had to stand up in court.

The current building proposals were the result of reduced heights negotiated down by the FAA from higher proposals.

The structures really present no hazard because planes will be hundreds of feet above them at overflight. There are other, more threatening obstacles at the airport no one worries about.

No public hearing was needed because the issues had been fully aired in 1975.

These issues had become hotly contested and emotionally charged questions with the local communities. On the one hand the buildings, one of which is to be a 1200 room convention hotel, represent substantial economic development. On the other hand, the prospect of more noise impact from the airport severely threatens local property values.

The day before the subcommittee hearing at which all the above was aired, the Burlingame City Council, relying on FAA's no-hazard determination, approved the convention hotel project, but at 100 feet in height instead of 132 feet. At the hearing, the developer strongly urged that FAA develop a more credible process so that the delays and alterations experienced in this project would be avoided in the future.

b. Benefits.—The FAA was again prodded to update Part 77 of its regulations and to fully utilize its authority to resolve the local issues raised by possible hazardous obstructions at airports.

c. Hearing—A field hearing was held in San Bruno, California, on May 14, 1982, and has been printed.

10. Coast Guard Oilspill Cleanup Capacity.

a. Summary.—On July 14, 1982, an oilspill occurred in San Francisco Bay. Although of modest size, the spill was unsual because it was an orphan spill, i.e., of unknown origin. The subcommittee decided to re-examine the Coast Guard's oilspill cleanup capability using the new spill as an example. The subcommittee had last held hearings on the subject on July 18 and 20, 1978.

The field hearings focused on the U.S. Coast Guard's (USCG) responsibilities and capacities for oilspill cleanup and prevention in the San Francisco Bay Area. Witnesses from USCG, the company (Clean Bay, Inc.) under contract to perform cleanups, and environmental organizations emphasized prevention through the Vessel Traffic Service (VTS).

The VTS system is a marine version of air traffic control, i.e., it's someone looking at a radar announcing traffic by radio to bridges of ships and keeping them separated. The Coast Guard proposed closing this service in San Francisco Bay earlier this year as a budget reduction measure. The local user groups formed a coalition that went straight to Secretary Drew Lewis, and got funds to keep the VTS operating put into the Urgent Supplemental Appropriation for 1982. The House Appropriations Committee recently put in funds for this service in the regular 1983 appropriation bill.

Recent floor debate on budget and appropriations bills has underscored the level of under-funding suffered by the Coast Guard, resulting in the dilapidated state of the Guard's resources. A number of recent comprehensive studies (by GAO, Coast Guard Subcommittee of House Merchant Marine and Fisheries Committee, and Executive Branch/DOT) have reached the conclusion that the Guard's duties and responsibilities far exceed its capabilities and resources. The USCG's own "capital budget plan" found that an additional $700 million/year was needed to reverse the fundamental deterioration of the Guard.

The Administration has responded by proposing a user fee (yet to be introduced) to be paid into a fund subject to appropriation, but not any significantly increased funding. When faced with the 16 percent cut due to the fiscal year 1982 funding resolution, the Coast Guard proposed closing a wide range of 50+ facilities, one of which was the San Francisco VTS. The VTS is the primary federal effort on oilspill prevention since it's whole purpose is to avoid collisions in restricted waterways.

b. Benefits.—Valuable followup to a prior subcommittee investigation was made. While no specific dollar figure can be estimated substantial public apprehension exists in the San Francisco Bay Area concerning oilspills, which the hearing should help allay.

c. Hearings.—A field hearing was held in San Francisco on August 26, 1982, and is being printed.

11. The FAA's Proposed "Regulation by Objective."

a. Summary.—On September 20, 1982, the Federal Aviation Administration published a Notice of Proposed Rulemaking which would remove from the Federal Aviation Regulations the existing Parts 121 and 135, governing the certification and operation of all types of air carriers, and substitute a new Part 120 to implement the "Regulation by Objective" concept.

According to the notice, the purpose of the proposal is to allow affected operators to "seek more effective and efficient methods of complying with safety objectives while maintaining the highest level of safety," and is therefore "consistent with Executive Order 12291 and the Regulatory Flexibility Act of 1980."

The proposal seeks to achieve this purpose by retaining only those portions of the current regulations specifying broad safety objectives, removing those specifying how the objectives are to be accomplished, and reissuing them as guidelines. Individual airlines could then either follow the guidelines or propose alternative methods of achieving a comparable level of safety, which would have to be approved by FAA.

This is a far reaching proposal which could have a major impact both on the safety of airline passengers and on the efficiency and effectiveness of FAA operations.

SOME MAJOR ISSUES AND QUESTIONS

The subcommittee explored several issues and questions, relating to the implementation of this new concept, including but not necessarily limited to the following:

1. Why is it necessary to remove the existing "how to" portions of the regulations in order to provide regulatory flexibility?

2. How does the FAA intend to enforce the "how to" guidelines since they will no longer be included in the Federal Aviation Regulations?

3. What types of proof of equivalent safety will be required of applicants when they propose alternative methods of compliance? What procedures, criteria and capabilities will be utilized by FAA to evaluate and approve or disapprove proposed alternatives?

4. Since the guidelines will not be regulations, proposed and approved alternatives presumably will not have to be published in the Federal Register. What methods, then, will FAA employ to assure awareness of the opportunity to comment on proposed alternatives by the general public and specific affected parties?

5. What is FAA's proposed time frame for implementing this NPRM and is it contingent upon the acquisition of computer and manpower capabilities necessary to implement the RBO? Should approval of this proposal unleash an avalanche of proposals for alternative methods of compliance and the new computer system not be in place or functioning properly, could FAA handle these proposals manually?

6. Since the RBO proposal does not require that flight operations be controlled by FAA certificated dispatchers, as does the current regulation, how will FAA be able to determine whether the "persons designated to make operational decisions," are properly trained, qualified and experienced to perform these functions?

b. Benefits.—No quantifiable amount is possible. However, this proposal has been described as deregulation of airline safety. If this proposal causes as much chaos in airline safety as economic deregulation has caused to airline business, the billions of dollars spent annually by the industry on safety could be thrown into chaos.

c. Hearings.—Hearings were held on November 22 and 23, 1982, and are being printed.

12. The Westway Highway Project of New York City.

a. Summary.—New York City's Westway Project, as planned, will be the most expensive highway ever built at approximately $4 billion or roughly $1 billion per mile. Designed to replace the westside highway along Manhattan's Hudson River front, the project has substantial local opposition. The subcommittee has been examining, with GAO assistance, various aspects of the project's planning and approval processes. On June 10, 1982, the subcommittee received a GAO report entitled "Tri-State Regional Planning Commission's Approval of the Westway Highway Project in New York City," CED-82-80, June 1, 1982, which pointed out certain procedural weaknesses in that agency's approval process.

On June 30, 1982, a Federal judge in New York rendered a decision in a case challenging the project's environmental impact statement. The opinion described the environmental impact statement and the conduct of its authors as "simply fraudulent." The subcommittee is now investigating the involvement of various Federal officials in this case.

b. Benefits.—Not quantifiable yet, but the size of the project and its dollar costs warrant close examination.

13. Air Carrier Accidents.

a. Summary.—The subcommittee closely monitored the investigation of the three air carrier accidents in 1982 in Washington, D.C., Boston, and Kenner, Louisiana. It is of some note that all three were related to weather, and each had some air traffic control involvement in that they occurred under direct control at airports. Of particular interest is the evident dispersion of responsibility for making weather related decisions and disseminating weather information within the airline industry. Current regulations clearly place the responsibility jointly on the carriers' dispatch systems and the pilots. However, the National Transportation Safety Board appears to be ignoring the need for and duties of dispatchers in its investigations and FAA is proposing to abolish the requirement for dispatchers, leaving no one primarily responsible for weather information dissemination and decisions.

b. Benefits.—Not quantifiable.

GOVERNMENT INFORMATION AND INDIVIDUAL RIGHTS SUBCOMMITTEE

1. International Telecommunications and Information Policy: Management and Resources.

a. Summary.—The Government Information and Individual rights Subcommittee has spent considerable time and resources investigating the operations of the executive agencies and documenting increasing problems with respect to international telecommunications and international policy. The specific findings are documented in the hearings and report of the Committee on Government Operations from the last Congress ("International Information Flow: Forging a New Framework," House Report No. 96-1535).

In that report, the Committee concluded that the United States was faced with the loss of its current world-wide leadership in providing telecommunications goods and services. It also concluded that a wide range of barriers to the international flow of information threatened not only the export of these high technology products, but all sectors of the economy.

In contrast to the United States, our major trading partners in Canada, Japan, and Europe, as well as the developing world, are formulating comprehensive plans and policies which deal with the full range of communications and information questions. They recognize the pivotal role that information and communications resources play in national policy. The United States likewise must be prepared to respond to barriers to communications and information flow as elements of broader economic and social policies. United States responses cannot be developed within the confines of one traditional policy area, but must originate as part of broader strategies. To achieve this goal, careful coordination of the resources and expertise of a variety of government agencies and private interests is needed.

Following its work on H.R. 1957, the subcommittee continued its oversight of international communications, initiating review of the management of international communications and information policy functions in the Executive Branch. The review has concentrated on the management and resource commitments made by the Department of State and the Department of Commerce to the subcommittee.

Both the last Administration and the current Administration made commitments to the subcommittee promising greater attention, better management, and increased resources for international communications activities. They promised better information collection, more effective attention to particular problems, increased coordination and cooperation, and the development of policy guidance and strategies for responding to foreign barriers to communications and information trade. Those commitments, made in immediate response to hearings and under the pressure of proposed legislation, have not been kept. Some progress has been made, but it is disappointing. And the lack of real commitment is disturbing, given the problems encountered by U.S enterprises and the continued protectionist actions of foreign governments.

The subcommittee plans to continue its efforts with a view toward management improvements and better allocation of resources. Without such improvements the United States may well lose its world leadership in telecommunications and information services and with that loss also damage its competitive position throughout the service sector of the world economy.

b. Benefits.—Telecommunications and information goods and services account for one of the largest single sector shares of U.S. exports. The growth of this trade sector and its continued strength are vital to this country. U.S. telecommunications and data processing goods and services are competitive in world markets. The technology and services they provide support the activities of other industries, from oil and steel to banking and publishing.

At stake is not simply some mythical number in the balance of trade, but jobs, opportunities for growth, and a healthy slice of the economic future of this country. At the same time, foreign restrictions on telecommunications, computer services, and the flow of information threaten injury to fundamental democratic freedoms. These freedoms have always formed a cornerstone of the political beliefs and foreign policy of this nation.

The subcommittee expects that continued scrutiny of activities in the Department of State, Department of Commerce, Office of United States Trade Representative, and the Federal Communications Commission will result in continued improvement. While the sluggish response of the Executive Branch to date has been disappointing, the recent positive actions of the FCC and the Trade Representatives, as well as some of the efforts of NTIA, suggest that the first steps have been taken by the government to remedy its problems of preparation and organization. But, continued work is necessary to ensure that the agencies plan, establish priorities, develop policy, coordinate efforts—in brief, initiate an effective scheme for representing American interests. Implicit in those efforts must be a recognition of the broad foreign policy implications inherent in any response to a particular problem or set of problems created by barriers to the international flow of information.

If the management and resource problems are overcome, then the world leadership of the United States and the vitality of our telecommunications and information sectors can be preserved. The benefits to the U.S. economy will be measured in the tens of billions of dollars.

c. Hearings.—Hearings were held on December 2, 1981. A related hearing was held April 29, 1982. Hearings printed.

2. The Department of Justice, the Department of Defense, and Antitrust Litigation.

a. Summary.—On Wednesday, November 4, the Government Information and Individual Rights Subcommittee heard the testimony of William Baxter, Assistant Attorney General for Antitrust, and William Taft, General Counsel of the Defense Department. The hearing had two purposes: to review the effectiveness of Justice in the administration of the antitrust laws; and, to review the relationship between the Department of Justice and the Department of Defense in the prosecution of the antitrust suit against AT&T.

AT&T was not a subject of the hearing. The substance and merits of the antitrust suit were not at issue. The conduct of the Defense and Justice Departments in dealing with each other and carrying out their responsibilities was the focus of the inquiry. The Defense Department recommendation to dismiss the lawsuit, the operation of the Interagency Task Force, the efforts to tie the conduct of the litigation to Congressional legislation—all raised serious questions about the conduct of the government's business. At one point, for example, the judge in the lawsuit suggested that the actions of Defense Department lawyers were flatly unethical.

The credibility of the Department of Justice was raised regarding:

(a) Its independence and legal judgment;

(b) The propriety of the actions of the Departments of Justice and Defense and the Interagency Task Force; and,

(c) The vigorous enforcement of the antitrust laws.

The question before the subcommittee was: "Is the Justice Department simply the lawyer for other Executive Branch agencies or does it represent the broader public interest, as independently as possible?"

These questions of credibility were highlighted for the subcommittee by its exchange of correspondence with Justice in the spring and summer of 1981. In April, 1981, the Justice Department said it would litigate the AT&T case "to the eye-balls." In July it asked Judge Greene to delay the case for 11 months because there was no real possibility of moving the Senate communications bill (S. 898) unless the case was "put on ice." In July it also said it would dismiss the case if two amendments were added to the Senate legislation. In October, it said that the Senate bill, as amended and passed by the Senate, "fell short" of meeting its requirements for dismissal.

The entire pattern of activity in the last year, particularly the court's statement about the propriety of DOD actions, raises fundamental questions about how complex litigation is dealt with by the Executive Branch when it impinges on broader questions of policy. Even the appearance of impropriety is crippling to the administration of justice in a free society, whether or not any improper action was ever taken.

b. Benefits.—The United States government cannot afford to have questions raised about the integrity and propriety of its efforts to enforce the law. The problems in the course of the AT&T litigation highlight the need for some formal sanctioned process for exploring the policy concerns of other agencies that may be raised in complex cases being pursued by the Justice Department. The subcommittee anticipates that a reasonable process to avoid the problems of the past will be developed in cooperation with the Department of Justice and other concerned agencies.

c. Hearing.—A hearing was held on November 4, 1981. Hearing printed.

3. E-COM and EFT: Government Offering of Telecommunications and Information Services.

a. Summary.—The investigation dealt with the role that the Federal Government should play in the offering of telecommunications and information services. In particular, should government agencies provide telecommunications or data processing services to private companies in competition with the private sector? These questions provided the focus of the subcommittee's investigation initiated by its review of the Postal Service electronic mail proposal (E-COM) and the Federal Reserve's electronic funds transfer (EFT) operations (FRCS–80).

Twice the Congress has rejected proposals to let the government run our communications system: first, with the telegraph, and later with the telephone. The third chapter in this century old debate is opening. The question before the Congress is what role government should have in the delivery of enhanced communications services such as electronic mail, electronic fund transfers, and a wide variety of data base services.

As a consequence of initial investigations and two days of hearings, subcommittee Chairman English introduced legislation (H.R. 4758) which would prohibit any Federal agency from providing computer or communications services other than to another agency. The object is to insure that the Government does not stifle the development of innovative and competitive information service by private enterprise.

The legislation would also insure that Federal data processing and communications resources are not misdirected in this time of budgetary constraint. With fewer resources available, Government should be using what it has to conduct its internal operations, not providing subsidized services to private businesses.

There are, of course, exceptions to this general rule. Where only the Government is capable of providing a service, where it is uneconomic or impractical for private enterprise, and where the service is needed by the Nation, then a Federal agency should supply it; however, those circumstances are rare.

The Government Information and Individual Rights Subcommittee intends to continue its inquiry into the provision of computer and communications services by Federal agencies for private use. The subcommittee plans to broaden its inquiry to encompass a wider variety of data base and information services.

b. Benefits.—Elimination of unnecessary government provisions of services to businesses will save substantial amounts. Restrictions of Federal Reserve EFT operations, for example, could return as much as $200 million to the Treasury in the next seven years. Equally important, reduction of inappropriate government competition in telecommunications and information services will help promote and enhance private competition.

c. Hearings.—Relevant hearings have been printed separately:

"Should the Postal Service Offer Electronic Mail," October 5, 1981.

"Should the Federal Reserve Offer Electronic Funds Transfer Services?," October 22, 1981.

"Government Provision of Information Services in Competition With the Private Sector," February 25, 1982.

4. Federal Communications Commission Oversight.

a. Summary.—Telecommunications, data processing, and their offshoots—the so-called information industry—are the biggest business in America. At least $1 out of every $10 goes for the goods and services they produce.

Beyond its direct economic importance, this industry provides the support needed for much of the rest of the economy to operate. Banking, credit, and insurance are dependent on information technologies. Both air and rail transportation could not operate without their support. Most other industries rely heavily on them for the distribution and delivery of raw materials and finished goods.

And the information industry is in the midst of a revolution. Ten years ago it did not exist. Greater changes have occurred over the last decade in the technologies which define this industry than occurred in the half century before. As a consequence, the economic structure of the industry continues on a path of accelerating change. The future promises even greater and more rapid change. Simply applying the technology we already have will keep us busy for the rest of the century. And the scientists and engineers—whether sitting in Bell labs or a garage in Silicon Valley—keep coming up with new ideas which multiply the rate of change.

In the middle of this revolution and this expanding industry sits the Federal Communications Commission. The Commission is the Federal agency with the power to intervene, if necessary, in certain parts of this new industry. The Commission has a mandate from the Congress to regulate the provision of telecommunications services. It has been delegated legislative and quasi-judicial functions to insure the healthy development of the communications industry and the widest possible availability of its products and services.

The Government Information and Individual Rights Subcommittee has initiated a program of continuing, systematic oversight which will focus on how the Commission is carrying out the responsibilities given it by Congress. In particular, the subcommittee will periodically review how actively the Commission is pursuing its mandate, the process by which it meets some of its duties, and the resources available and needed to conduct its operations.

In its first set of hearings, the subcommittee concentrated on the following issues: (1) the FCC's role in monitoring and regulating electronic mail and electronic funds transfer offerings by government agencies; (2) the resources and organizational needs in implementing Computer Inquiry II; (3) the Commission's role in cable privacy; (4) procurement policies and practices; (5) the Commission's role in helping to assure reciprocity in telecommunications trade; (6) international and domestic direct broadcast satellite regulation; (7) the need for reform of the consultative process; (8) management and resource needs in international communications policy development; and (9) the general organization and management of the Commission.

b. Benefits.—The more effective allocation and management of resources in an era of reduced Federal funding is primary. Also important, however, is the inquiry into particular problems at the FCC.

c. Hearings.—Hearings were held September 16 and 22, 1981, and have been printed. Additional hearings were conducted March 3 and April 29, 1982 and have been printed.

5. Oversight of the National Archives and Records Service.

a. Summary.—The principal purpose of the hearings was to provide a forum for examining the impact of budget cuts, personnel reductions and organizational changes on the National Archives and Records Service (NARS). The hearings also offered an opportunity to (1) review progress made by the Archives in correcting deficiencies identified during the subcommittee's 1979 investigation; and (2) to discuss the future of the National Historical Publications and Records Commission (NHPRC), which is currently operating in the absence of authorizing legislation and for which funds had not been requested in the President's fiscal year 1983 budget.

The National Archives was established in 1934 to preserve the historically significant documents of this nation and provide their availability to historians and the general public. The recommendations of the First Hoover Commission in 1949, transformed the National Archives into the National Archives and Records Service and placed it with the newly created General Services Administration.

Since its establishment in 1934, NARS has accessioned over 1.3 million cubic feet of archival records. As of September 30, 1978, archival holdings included about 3 billion textual items, about 4.8 million still pictures, 104,000 motion picture films, 207,000 sound records, 1,700 video recordings, 750 machine readable items, 1.5 million maps and charts, 122,000 architectural and engineering plans, 917 million aerial photos, and over 1,300 artifacts. These records have been determined by the Archivist of the United States to have sufficient historical or other value to warrant their continued preservation. They are stored at the National Archives Building and two other sites in the Washington, D.C., metropolitan area and at the various Presidential libraries and NARS' regional branches throughout the country. In addition, NARS stores and services some 14.5 million cubic feet of agencies' records in its network of federal records centers.

Other NARS activities include publication of the Federal Register and related documents; operating the National Audiovisual Center—responsible for providing the public and other agencies with information about, and audiovisual material produced by, the government; administering the NHPRC grants program; the systematic review and declassification of records as provided for in Executive Order 12065; and, until transferred to another GSA component in January, 1982, the governmentwide records management program. Associated with and closely involved in the operation of the Archives is the National Archives Trust Fund—the subject of considerable debate in the subcommittee's 1979 investigation.

(1) *The budget.*—The NARS appropriation for fiscal year 1981 was $88.1 million. Of this amount only 60 percent ($53 million) was available for programs, including document preservation. A large portion of the NARS budget went to the Public Building Service (PBS) in payment for rent and related expenses. Because it is a "space intensive" agency—one with many records storage facilities—its rent bill was $27 million or 31 percent of its budget.

In fiscal year 1982, funding for NARS was cut to roughly $75 million. However, at the same time, PBS increased the rent charged to NARS to $30.5 million (41 percent of budget). Consequently, only $40.7 million is available for programs. As a result, NARS has had to curtail programs—most notably the inter-library loan of microfilmed census and other data—and cut its Archival staff alone by some 29 percent, from 441 to 309.

The fiscal year 1983 proposed budget would increase funds for NARS to $85.3 million. However, even with the increase, less money would be available for programs than in fiscal year 1981 ($46 million v. $53 million) and rental rates will increase once again, by some $4 million, to $34.7 million.

(2) *Previous Oversight Investigations*—The highlights of the 1979 subcommittee investigation are contained in GAO letter, B-146743. While there has been considerable progress made in addressing the problems uncovered in 1979, the subcommittee continues to receive reports of mismanagement with NARS and failures on the part of GSA to fulfill its responsibilities with respect to improving the environmental situation at NARS facilities—an important factor in document preservation.

b. Benefits.—The investigation provided an opportunity to examine NARS' plans and priorities for dealing with an ever-tightening resource situation. By reviewing action to correct deficiencies uncovered in 1979, the Committee was able to determine to what extent problems were caused by GSA and other external factors. One result was introduction of H.R. 6894, to reestablish the National Archives and Records Service as an independent agency.

c. Hearings.—Hearings were held on March 2 and 4, 1982. Hearings were printed.

6. Proposal for Detention Center for Illegal Aliens in El Reno, Okla.

a. Summary.—The Immigration and Naturalization Service (INS) has been impeded in its mission to apprehend and deport illegal aliens by a lack of space in which to detain individuals during the deportation proceedings. INS proposed construction of two detention centers for this purpose, but citizens in the cities in which construction was proposed expressed concern with the planning for and nature of the centers. The subcommittee held one day of hearings in El Reno, Okla., one of the proposed cities, and received testimony from Bureau of Prisons and INS witnesses. Citizens were also encouraged to present their views.

The decision to construct the centers is pending at this time.

b. Benefits.—It is too early to estimate benefits from the investigation.

c. Hearings.—Hearings were held on July 8, 1982, and have been printed.

7. Federal Assistance to the State and Local Criminal Justice Communities.

a. Summary.—The subcommittee held the first of a series of hearings on the topic of the obligation existing between the Federal Government and State and local law enforcement and prosecution agencies. With the reduction of funds available generally throughout government, it is essential that needs and priorities be identified in the area of law enforcement. Small local agencies, whether police departments or prosecutors, must rely on Federal resources in areas which exceed their jurisdictional boundaries or which exceed their limited capabilities. This investigation is exploring the types of assistance required, and whether they are, in fact, being delivered.

b. Benefits.—It is too early to estimate benefits from the investigation.

c. Hearings.—Hearings were held on December 9, 1982. To be printed.

8. Coordination of Existing Intelligence Resources in the War on Narcotics.

a. Summary.—There has been investigative work on the extent of coordination between the different intelligence agencies and the Department of Defense as it relates to drug trafficking. This investigation will continue in the 98th Congress resulting in hearings which will be held in Miami, Florida, early in 1983.

b. Benefits.—Strategic intelligence is being captured and analyzed to reveal trafficking trends. This is of some value to the administration in the allocation of priorities and resources. However, tactical or time sensitive intelligence is not well coordinated between agencies. This weakness creates a situation of "too little too late." We hope and expect that as a result of upcoming hearings and further investigations some of the more salient problems of sharing intelligence will be resolved.

c. Hearings.—A series of hearings will be scheduled on this issue during the 98th Congress. It is very likely that some of the hearings will be conducted in the field.

9. Continued Oversight of the Veterans' Administration Vietnam Veterans Readjustment Counseling Program.

a. Summary.—As a result of hearings which were held in the 97th Congress, the Veterans' Administration made some major management changes to the program. During 1982 there has been close monitoring of the impact of those changes. In the 98th Congress the Veterans' Administration will be asked to appear before the Committee to review the results of those changes and to announce if further adjustments are necessary.

b. Benefits.—The Vietnam Veterans Readjustment Program is the most visable benefit available to the Vietnam Veteran. It is important that this program be administered properly to insure that the government provides needed assistance to this, sometimes, explosive issue. The Veterans' Administration was unable to account for $16.2 million which had been earmarked for the readjustment program. One of the major benefits of this oversight activity will be to insure that future monies for the program are spent for that purpose or proper accounting make expenditures traceable.

c. Hearings.—Continued hearings will be scheduled during the 98th Congress to determine the efficiency in which the program had been administered, as well as to review the need for a continued program.

10. Review of Penalty Mail and Operation of the U.S. Postal Service's Government Revenue and Examination Branch.

a. Summary.—The subcommittee's interest in the operations of the Government Revenue and Examination Branch was piqued by the receipt of information of the existence of several disputes over, and discrepancies in, bills to agencies by the Postal Service. A review of the Postal Service operation indicated that the disputes were just the tip of the iceberg. The subcommittee found the Branch to be seriously understaffed and without adequate administrative and accounting controls. Likewise, agencies' mail management operations were found wanting.

As its name indicates, the Government Revenue and Examination Branch is responsible for billing and collecting from all other federal government entities the amounts due from those entities for official mail. In the last full year for which figures are available (1980), the government's postage bill was approximately $750 million. With the recent increases in postal rates, the government's bill in 1982 will likely approach $1 billion—almost 5 percent of the Postal Service's total projected revenue.

While it is not clear whether the Postal Service collects (on a governmentwide basis) more or less than it should, it is quite obvious that some agencies may be paying more than their fair share and others less. This is, of course, an important concern for all given the severe budgetary constraints under which agencies, including the Postal Service, must operate.

Examples of some of the specific problems are as follows:

a. A math error resulted in a division of the Department of Labor being billed for $600,000 more than was due.

b. The VA, over a 3-year period, paid the Postal Service almost $94 million while the Postal Service's books indicate that the VA owed only $76 million. (This $17 million overpayment exceeds the amount VA spends on Vietnam veteran outreach in a given year.)

c. In 1976 the Postal Service sent the Office of the Secretary at Health, Education, and Welfare a supplemental bill for $2.9 million. HEW balked and the Postal Service settled for $650,000. There was a similar occurrence in 1977.

The subcommittee will monitor progress in addressing these and similar problems.

b. Benefits.—Improved controls, sampling techniques and accounting procedures could well result in a 10 percent or $100 million savings in the government's postage bill. Moreover, improved management of government mail by the agencies would facilitate the use of available presort discount programs by the agencies leading to yet further savings.

c. Hearings.—Hearing was held February 10, 1982 and has been printed.

11. The Military Postal System: A Conduit for Drugs and Other Contraband.

a. Summary.—During June and July of 1982, the Task Force on Drug Abuse in the Military of the House Select Committee on Narcotics and Drug Abuse accompanied by members of the subcommittee, surveyed some two thousand European-based troops. In both surveys and follow-up discussions there was frequent reference to the use of APO-FPO mail to send and receive drugs. The problem of receipt of drugs through the mail seemed particularly acute in the Navy, where other means of obtaining drugs are not available to those at sea. While there was frequent reference by enlisted personnel to, and concern by commanders over, the mail as a safe and growing conduit for drugs, little hard evidence was available from military sources. According to officials, this was due to then-existing prohibitions on search and seizure of mail by military authorities. Nevertheless, staff investigators did obtain evidence of instances of the use of the mail to transport drugs. Other evidence of abuse of the APO-FPO system came from Customs Service seizure reports for fiscal year 1981. According to these reports, which reflect "hits" in the inspected sample of APO-FPO mail originating overseas and sent to an address within CTUS, there were some 455 violations, 351 of which involved drugs. A hearing that followed the field investigation examined (1) how military, postal and customs officials interact in the discharge of their respective responsibilities as they pertain to the Military Postal System; and, (2) whether and what changes need to be made in the authority to inspect APO-FPO mail in order to ensure against the use of the system to transport drugs and other contraband. The hearing also provided an opportunity to mediate efforts by military and postal officials to resolve the longstanding dispute over the authority of military personnel to conduct inspections and seize contraband from APO-FPO mail—a dispute which military officials claimed hampers efforts to deal with the military drug abuse problem and, at times, offends the sensitivities of host nations.

b. Benefits.—As a result of the testimony received and evidence presented at the subcommittee's hearing, military and postal officials agreed to a timetable for resolution of disputes and publication of revised mail inspection rules. The rules published in November, 1982, which pertain to overseas military mail, provide for the random inspection of the exterior of mail bags and parcels by military personnel at the point of delivery. They would also permit the tagging of suspicious mail bound for the U.S. for action by Customs officials. The regulations do not permit opening of any piece of mail except under limited circumstances. For example, first class mail could only be searched with the consent of the sender or addressee, when a search warrant has been issued pursuant to law and upon a showing of probable cause, or when the item is suspected of posing an immediate danger to life or limb. Previously, military personnel had been prohibited from carrying out even external inspections. The rules, if implemented properly, would strike a reasonable balance between the needs of military law enforcement officials in controlling drug abuse among military personnel and the interest of these individuals in the sanctity of the mail and privacy of their correspondence.

c. Hearings.—Hearing was held November 5, 1982 and has been printed.

12. Impact of the 1981 Postal Service Labor Contract on the Federal Civil Service Retirement Fund.

a. Summary.—The investigation dealt with the potential impact of the cost-of-living allowance (COLA) roll-in provision of the 1981 Postal Service collective bargaining agreement on (a) the unfunded liability of the federal civilian retirement fund, and (b) the budget deficit of the federal government.

A postal employee's wages are divided into two components: (1) base pay and (2) cost of living allowances (COLA). Postal employees and the Postal Service make 7 percent contributions to the retirement fund based on *base pay only.* No payment is made for the component of wages which consists of COLA.

In the past, with each new labor agreement, COLA's realized under the old contract were incorporated into base pay. The current agreement (arrived at in July 1981) departs from past practice in that it provides for the $3,619 annual COLA payment per employee earned under the previous labor agreement to be incorporated into base pay in October, 1981, *only* for and at the option of those workers who are within six years of retirement.

Generally speaking, there is no cash transfer involved in agencies' contributions to the retirement fund because all transactions are intragovernmental, involving only bookkeeping entries. When funds are needed to make benefit payments, the Treasury obtains the necessary cash through its normal channel of tax receipts or borrowing. However, in the case of the Postal Service, more than just bookkeeping entries are involved. Since the Postal Service is a so-called off-budget agency, deriving nearly all its funds from postal operations, the money it pays into the retirement fund is actually income-revenue for the Treasury. Therefore, to the extent that the

Postal Service and its employees contribute less than they should, both the unfunded liability of the fund and the budget deficit are impacted. Testimony at the hearing indicated the shortfall resulting from the Postal Service scheme as between $400 and $600 million for each of the three years of the contract.

b. Benefits.—Following the hearing, this issue was brought to the attention of both the Budget Committee and the Office of Management and Budget. As a result, a $400 million offset for proprietary receipts was included in the fiscal year 1983 budget resolution approved by the Congress. OMB has yet to complete negotiations with the Postal Service for payment.

c. Hearings.—The hearing was held on February 10, 1982. Hearing to be printed.

ENVIRONMENT, ENERGY, AND NATURAL RESOURCES SUBCOMMITTEE

1. Dangers to Public Health From EPA Efforts To Relax Limits on Lead in Gasoline: Environmental Protection Agency Oversight.

a. Summary.—The Environmental Protection Agency under Reagan appointee Anne Gorsuch began in late 1981 to consider relaxing the limits on the lead content of gasoline products emerging from domestic refiners, particularly small refiners. The Administration billed this proposal as part of its efforts to curb regulatory burdens, particularly on smaller companies.

The Subcommittee began investigating Administrator Gorsuch's actions in this area after being apprised that Ms. Gorsuch may have told one small refiner privately that they could begin ignoring current limitations on lead in their refined products even before the EPA had made a final determination about whether and to what extent to relax those lead standards. That alleged promise of selective enforcement, or non-enforcement, of existing environmental law caused grave concern among Subcommittee members.

The Subcommittee's concern was twofold. First, on the question of fairness and respect for the law, it was critical to determine whether the EPA was in fact making private assurances to selected individuals and companies that they could violate current law without fearing EPA enforcement action.

Second, on the larger question of whether these lead in gasoline standards should in any way be relaxed or less than fully enforced, Subcommittee members were quite concerned about the health impacts of any such move. The reason behind those lead standards is protection of the health of our citizens. Lead is an undisputed toxin. It can cause severe emotional and learning disorders, and its toxicity is particularly acute for unborn and young children. The main source of lead in our human environment today is from the gasoline burned in our automobiles. Lead from that gasoline is emitted into the air by auto exhausts and is then breathed by us all. Urban children, because of the presence of many automobiles and the atmospheric patterns, are particularly vulnerable to lead poisoning coming from automobile exhausts by cars using leaded gasolines.

All of those basic facts about lead and its presence in our environment are well established. They formed the basis for EPA's efforts since the Nixon Administration to "phase down" the lead in gasoline by imposing limits at the refinery level on lead content in gasoline. The alarming aspect of the Reagan Administration's proposals was that they appeared to ignore the body of evidence indicting lead in gasoline as a major health danger, particularly for the nation's children.

The Subcommittee inquiry resulted in hearings held on April 14, 1982 and in a number of letters from the Subcommittee Chairman to EPA Administrator Gorsuch and to the President on the lead phase-down regulations and their proper enforcement. The Subcommittee inquiry and hearings confirmed the magnitude of this health issue. Witnesses suggested that as many as 600,000 children are affected by lead toxicity in this country today. The testimony showed that the Administration proposal on lead phasedown would increase the number of children affected and the severity of the lead toxicity they suffer. Testimony suggested that one suggested relaxation level for lead would add 31,000 tons of lead into the atmosphere each year, at current automobile operating levels.

The Subcommittee inquiry also suggested that the length of time during which the lead phasedown effort had been underway meant that refiners had been amply notified of the capital investments and processing changes they would have to make. Indeed, the evidence suggested that failure to continue to enforce the lead phasedown regulations in their current form would work an economic hardship on many companies who had spent money to comply. Those law-abiding companies would be at a competitive disadvantage to those companies having received private preferential enforcement treatment or those who had done nothing pending relaxation of the rules.

b. Benefits.—As a result of the Subcommittee's inquiry into the allegations of selective enforcement of the lead rules, Chairman Moffett asked for and obtained an EPA Inspector General's report on those allegations. That report confirmed that Ms. Gorsuch had made statements to the Thriftway refinery in New Mexico that suggested they could violate the law without fearing EPA enforcement action. As a result of the Subcommittee exposure of these actions, the Administrator was forced to deny any intentions of selective enforcement of the law.

On the larger issue of relaxation of the lead phasedown regulations, the subcommittee inquiry also had a successful result. In late summer 1982, the Reagan Administration backed away from its plans to relax the lead in gasoline standards. In fact, bowing to the facts disclosed by the Subcommittee and to the public outcry they engendered, the Administration in some respects actually improved those lead in gasoline regulations.

The tangible benefits to the taxpayer of this Subcommittee inquiry are the prevention of the health damage to thousands of young children, particularly urban children, which would have been the result of the Administration's regulatory relaxation, and the elimination of the enormous cost to our health care system of treating those victims of lead toxicity.

The less tangible benefit of the Subcommittee inquiry is the vindication of the general principle that the Environmental Protection Agency, and its Administrator, are duty-bound to enforce the law as it exists and until it is properly changed.

c. Hearings.—The April 14, 1982 hearing has been printed.

2. Army Corps of Engineers and Administration Policy Toward Federal Water Projects: Stonewall Jackson Dam.

a. Summary.—In 1980, the Subcommittee began a series of investigations on Federal agencies' roles in the continued funding of Federal water projects whose economic viability appeared to rest upon questionable claimed benefits. As a result of its review of the Columbia Dam Project of the Tennessee Valley Authority, the Committee declared that continued funding of that project was "not in the public interest."

In 1981, the Subcommittee continued its review with a six-month investigation of the Stonewall Jackson Dam in West Virginia. This project is being built by the U.S. Army Corps of Engineers. Composed of a 75,000-acre-foot reservoir surrounded by a large recreation and wildlife area, it will inundate over 3,300 acres and take out of production and off the tax rolls a total of 19,500 acres. Approximately 1,800 people will be forced from their homes.

Although Stonewall Jackson was authorized in 1965 with a projected cost of $34 million, the current cost of the project (fiscal year 1982) is expected to be $189 million of which $46 million has been spent, mainly for land acquisitions and highway relocations. Construction of the dam itself has not yet begun, and completion is projected for 1987.

The motivation behind the dam has always been to provide flood control on the West Fork River for the towns of Weston and Clarksburg, West Virginia. But a project for that purpose alone has never been economical. The Corps'—and Congress'—solution, after years of study, was to add 40,000-plus acre feet to the original reservior for "water quality" and recreation purposes. The Corps claimed that any water added to the West Fork would provide low-flow augmentation (pollution dilution) benefits 200 river miles to Pittsburgh and beyond to the Ohio River.

Instead of quantifying the actual benefits to the affected rivers when calculating the dollar benefits of the water quality aspect of the project, the Corps claimed the benefits to be the cost of building a single-purpose water quality reservoir. Unfortunately, there were two flaws in the Corps' methodology: first, it already knew that the actual benefits provided by pollution in terms of lessened sewage treatment and acid corrosion were a quarter of those claimed under the umbrella of low-flow augmentation; second, the Corps has never built a dam for the prime purpose of water quality.

Nonetheless, water quality accounts for almost half of the claimed benefits for a project whose total benefit/cost ratio is only 1.07:1.0. Without this benefit, the Stonewall Jackson project could not be justified. Moreover, in 1972, the Federal Water Pollution Control Act banned pollution dilution as an acceptable benefit, unless an independent evaluation by EPA was done. Although no money beyond design funds were expended on this project until 1977, the Corps refused to request EPA to evaluate the water quality benefit.

In addition, the costs of this project and most of the other Federal water projects are grossly understated because of the use of an unrealistic interest rate of 4⅝ percent for the use of money during construction.

As part of its review, the Subcommittee asked the General Accounting Office to review the benefit/cost ratio for Stonewall Jackson. At the Subcommittee's hearing, representatives of GAO testified that, even if all the benefits claimed were valid, application of the 1981 interest rate of 7⅜ alone would result in a negative benefit/cost ratio of .85:1.0. GAO also found that the Corps had never attempted to reevaluate the water quality benefit in light of the Federal Water Pollution Control Act, even though 12 years lapsed between authorization of the project and actual funding for construction.

GAO also found other irregularities in the Corps' calculations of the benefits and costs of the projects. These included the failure of the Corps to take into account lower population projections and strong indications that its expected recreation usage was unrealistic.

Because of the Corps' apparent intention to continue building the Stonewall Jackson Project and all other authorized water projects without any reevaluation of the need for those projects, the Subcommittee requested at its hearing that William Gianelli, Assistant Secretary of the Army for Civil Works, review Stonewall Jackson and 41 other projects in which less than 25 percent of the estimated costs have yet been spent to determine if they are still worthwhile projects. The total estimated cost of those projects is $21.5 billion, but the actual cost is much higher. Many were authorized in the 1960's and early 1970's, and their costs are based on unrealistic interest rates. Some are justified on the basis of benefits that no longer exist or are no longer acceptable.

The commitment by Mr. Gianelli to the Subcommittee to review those projects came despite a statement in the summary of the Reagan Administration's water policy guidelines that no new review would be done of projects which had been authorized for more than 120 days.

> Mr. MOFETT. It just seems too irresponsible for the administration to refuse to review the 42 major water projects that have been authorized years ago but which are still in an early stage of construction or on which construction has not even begun.
>
> Mr. GIANELLI. I think we need to take a look at them and see what their status is. * * * We are going to look at some of these projects, check them out, see how much money we have spent, and see which ones we think ought to go ahead.

b. Benefits.—During 1981's round of painful budget cuts, many needed social programs were severely slashed or dismantled. The water resources budget, however, survived intact, despite the inclusion of funds for continuing a number of wasteful and noncritical projects, such as the Stonewall Jackson Dam. The Reagan Administration, despite its promises that in the future only useful water projects which require realistic user fees and substantial local cost-sharing requirements will proceed, has shown an inexplicable lack of interest in reviewing the projects already on the books in this area.

Because of the long leadtime between authorization and construction of water projects, a change in the evaluation policies for projects not yet authorized will have little or no effect on the budget requirements in the near term. But, the commitment by the Corps to the Subcommittee to review projects already authorized could result in the immediate saving of millions of dollars for each project that is deleted from the Federal budget.

c. *Hearings.*—The transcript of the hearing held on December 9, 1981, has been printed.

3. Army Corps of Engineers and Administration Policy Toward Federal Water Projects: The Elk Creek Dam in Oregon and Other Largely Incomplete Water Projects.

a. Summary.—On April 6, 1982, the Subcommittee continued its investigation into the Reagan Administration and the Corps of Engineers' water projects policy by holding a public hearing to assess the Corps' promised review of 52 partially-completed water projects. (*See B.1 above.*)

The principal witness at this hearing was again Assistant Secretary of the Army for Civil Works William Gianelli.

Prior to the April 6 hearing, the Corps had produced a range of information to the Subcommittee on each of the 52 water projects which were less than 25 percent complete, as requested at the previous hearing on December 9, 1981. That review provided the Subcommittee with considerable additional detail on the inaccuracies of the Corps' methods of computing the supposed benefits of federal water projects.

One example of the Corps' questionable means of computation of benefits from water projects in their annual submissions to Congress is the utilization of "remaining" cost/benefit ratios rather than total cost/benefit computations. The Corps typically calculates the alleged benefits to be obtained from the entire completed project. As a consequence, the farther along a project is, the more likely its published benefit/cost ratio appears favorable even though its total cost typically is escalating and its total benefit/cost ratio is in fact declining. The Subcommittee's investigations continued to confirm its previous finding that actual benefit/cost ratios are often significantly lower than suggested by the Corps to the Congress and the public.

The April 6 hearing focused in particular on the Elk Creek Dam in Oregon. As Chairman Moffett noted, that dam had an extremely poor rate of return on the federal dollars invested in it. That rate of return might have been no more than 15 cents on the dollar, and almost certainly would not be above 27 cents on the dollar. Moreover, the dam was a clear threat to a trout and salmon fishing industry worth some $25 million annually to Oregon.

Testimony opposing the Elk River Dam was received from the National Wildlife Federation, from Rep. Jim Weaver (D–Oregon), and from the Boise-Cascade Corporation. The latter discussed the negative impact of the dam on timber supply as well as other factors.

b. Benefits.—As a result of the Subcommittee hearing and a report by the General Accounting Office, the Army Corps of Engineers halted work on the $148-million Elk Creek Dam. Taxpayers will benefit not only from the savings created by not completing that dam, but will also benefit from avoidance of the harm to the fishing, timber and other industries that would have been caused by that dam.

In addition, the analysis provided by the Corps of Engineers to the subcommittee on the 52 water projects less than 25 percent complete, combined with the additional review done by the Subcommittee provides Congress with a clear guide by which to identify water projects which, if halted, would save billions of tax dollars.

c. Hearings.—The transcript of the April 6, 1982, hearing has been printed.

4. The Economic and Consumer Impact of Natural Gas Decontrol: Oversight of the Federal Energy Regulatory Commission.

a. Summary.—As part of the Reagan Administration's overall effort to deregulate the energy industry, new appointments were made to the Federal Energy Regulatory Commission (FERC) who were expected to support decontrol measures within the jurisdiction of that agency. At the same time, the Administration gave substantial consideration to a direct legislative effort to speed up the natural gas decontrol timetable contained in the Natural Gas Policy Act of 1978. Beginning in early 1982, the Subcommittee held hearings and pursued an inquiry into the likely detrimental impacts on consumers of such accelerated decontrol measures. This investigation was particularly significant since the public generally was not aware of the actions being taken at FERC to decontrol natural gas at the same time that the apparent focus within the Administration and in the Congress was on whether there should be new legislation to alter the NGPA timetable. As Chairman Moffett suggested in the Subcommittee hearings, this "back-door" deregulation of natural gas, whether justified or not in policy terms, was not consistent with Congress' intention that it be the arbiter of this sensitive consumer and energy policy issue.

Subcommittee hearings were held January 21 and February 4, 1982. Both were field hearings, to allow for testimony from a range of state and local officials, labor representatives and local utility executives about natural gas decontrol impacts. The consensus of the testimony received was that accelerated decontrol would have a seriously detrimental impact not only on individual consumers, but also on the entire economy, particularly in the industrial Northeast, or "Frostbelt." Testimony showed that the increased cost of energy in recent years has consistently produced lower profits for industries in the Northeast. As a consequence, increased plant closings and a steady out-migration of jobs from that part of the country has increased unemployment. Accelerated decontrol of natural gas would necessarily accelerate this process at a time of dramatically increasing unemployment.

The testimony received and the facts elicited by the Subcommittee investigation further suggested that accelerated decontrol was not necessary to stimulate production of domestic natural gas. Especially in light of decreasing economic activity in a recessionary period, the claimed stimulative effect of accelerated decontrol was not needed even if it had been demonstrated to be effective.

b. Benefits.—The Subcommittee investigation contributed to an increased level of public concern and opposition to accelerated decontrol. The Administration did not proceed with a legislative effort to alter the NGPA decontrol timetable. However, a number of actions continued to be taken by FERC which were inconsistent with the findings of the Subcommittee. Continued oversight of FERC in the 98th Congress will be necessary in this regard. The sums at stake are enormous. The Subcommittee investigation suggested that some $70 billion could be lost in labor income over three years through immediate decontrol of natural gas. Some $600 million would be added to the residential fuel bills in just one state, Connecticut, in that same time period.

c. Hearings.—The transcripts of the Janaury 21 and February 4 hearings have been printed.

5. Review of the Department of Energy's Pricing Formula for Enriched Uranium.

a. Summary.—In October 1981, the Subcommittee asked Energy Secretary James Edwards to launch an investigation by the department's inspector-general of the estimated $500 million in revenue losses the department had caused by improper pricing of the enriched uranium it sells to utilities.

Because of the national security ramifications of the process for enriching uranium, the U.S. government, through DOE's Oak Ridge Laboratory, is the sole source of enriched uranium for utilities' nuclear plants. The Atomic Energy Act of 1954, as amended, requires DOE to price its enriched uranium on a cost recovery basis over a reasonable period of time. Based on information compiled by the Subcommittee, it was revealed that since 1978, DOE granted over $500 million in apparently unjustified and unauthorized price relief to various purchasers of enriched uranium from government owned facilities. Almost $200 million of this amount benefited foreign purchasers.

Beginning in 1973, the Atomic Energy Commission, entered into a series of long-term fixed commitment contracts with its customers to assure a guaranteed market for its enriched uranium. These long-term contracts were thought necessary to allow the AEC to contract for the purchase of electrical power to operate the energy intensive uranium enrichment process. These contracts also allowed the AEC to construct new enrichment facilities as necessitated by long-range demand projections.

By 1978, when DOE has assumed the AEC's uranium enrichment responsibilities, most utilities were experiencing delays, cost overruns, financial difficulties, and downward demand adjustments in their nuclear power operations. Recognizing these difficulties, DOE granted their customers contractual relief by giving them the option to convert their long-term fixed commitment contracts to adjustable fixed commitment contracts.

These new contracts gave customers the opportunity to defer scheduled deliveries of enriched uranium for a period of five years. However, to compensate the government for this loss of revenue, utilities were required to pay a schedule adjustment charge (SAC) as a precondition to deferral of deliveries. Most utilities took advantage of this conversion option resulting in deferral of $3.4 billion in uranium enrichment revenues.

Since DOE was already contractually bound to purchase large quantities of power for its uranium enrichment facilities, deferral of those revenues imposed additional borrowing requirements on the Federal government. The schedule adjustments clause was designed to recover the interest costs associated with this borrowing activity.

The schedule adjustment clause was calculated based on a standard formula published by the General Accounting Office. However, in computing this formula DOE used incorrect quantities and low prices for the enriched uranium, an unreasonably low discount factor, and an incorrect time period. Those unexplained computations resulted in a revenue loss to the Federal government in excess of $500 million.

b. Benefits.—As suggested by the summary, the sums potentially at stake range into the several hundreds of millions of dollars. While it is uncertain to what extent the U.S. government might be able to recover those lost revenues, even a small rate of recovery on such a large sum of money would constitute a significant savings to the taxpayer. Moreover, the Subcommittee investigation suggests that continued Congressional oversight of this Federal energy program may produce additional savings for the taxpayer.

On August 18, 1982, the DOI Inspector General issued a report on this matter. ("Dollar Impact of Financial Management Decisions in the Uranium Enrichment Program.") The IG report confirmed the Subcommittee's initial findings that the DOE uranium enrichment program had undercollected revenues in excess of $500 million. In fact, the IG found that undercollections as a result of incorrect computations were in excess of $750 million.

The Subcommittee expects DOE to take all appropriate steps to assure that future uranium enrichment charges are based on correct computations. Furthermore, DOE should take the necessary steps to recover revenues from uranium enrichment purchasers who benefited from the Department's past mistakes.

6. DOE Failure To Disburse Oil Overcharge Funds.

a. Summary.—As part of its enforcement program, DOE audits oil companies to assess compliance with petroleum pricing regulations. Although President Reagan decontrolled oil in January, 1981, hundreds of enforcement actions are still pending for past alleged violations.

Once a violation has been identified, DOE issues a notice of probable violation (NOPV) against the company. DOE then issues a proposed remedial order (PRO) which is adjudicated before the Department's administrative body, the Office of Hearings and Appeals (OHA). OHA may then dismiss the case or issue a final remedial order which is binding on the company unless appealed within 30 days before FERC or a federal district court.

At any point in this process, the company may enter into a consent order with DOE. The consent order may provide for a variety of remedies, including direct cash refunds to identified consumers or payments to a special DOE escrow account where the money is held until a just and equitable method for distributing the funds can be developed. DOE's effort to distribute the funds in these escrow accounts is the main subject of the Subcommittee's hearing.

Once the funds are desposited in the escrow account, either of two methods may be used for disbursement. One method requires the Office of Enforcement to distribute the funds to injured parties either by identifying specific overcharged customers or by promulgating broad restitutionary schemes. That was the method DOE attempted to use in distributing a $25 million settlement with Getty Oil Company. In that distribution scheme, DOE attempted to return the funds to low income consumers in specified Getty Marketing areas. Although the Comptroller General subsequently found that plan to be beyond DOE's restitutionary authority, DOE has yet to develop any new plans for distribution of the Getty funds.

The second method of disbursing escrow funds involves the special DOE refund procedures in 10 CFR Part 205, Subpart V. (referred to as subpart V procedures). Those procedures are applicable to cases where the Office of Enforcement cannot readily identify injured parties entitled to refunds and there are no viable alternative restitutionary schemes. Under those procedures, established in February, 1979, the Office of Enforcement files a petition with the Department's Office of Hearing and Appeals (OHA) requesting a decision on disbursal methods for a specified settlement. After accepting the petition, OHA issues a proposed decision and order stating the procedures it intends to apply in evaluating refund claims. After considering public comments, OHA issues a final decision and order which states the procedures it will use in considering refund claims.

According to the DOE Controller's Office, the following was the status of the escrow account:

Principal	$363,380,707
Interest	57,286,645
Accounts Receivable	52,501,326
Total	473,168,678

The following amounts had been disbursed from the escrow account:

1. In July 1980, $1.3 million was disbursed to the State of Missouri, to buy fans for elderly persons battling a summer heat wave. DOE subsequently recovered $250,000 of this amount. These funds were part of consent order with Getty Oil Company and were the only funds disbursed from this settlement.
2. In January, 1981, $4 million was disbursed to a variety of charities to assist low-income heating oil users. DOE subsequently recovered $1 million of this amount. These funds were part of a consent order with Standard Oil of Indiana.
3. In March, 1982, $582,000 was disbursed to a variety of overcharged customers of Vickers Petroleum Company.

Approximately 97 petitions involving $220 million have been presented to OHA's subpart V proceedings requesting the establishment of refund procedures. Although many of these petitions have been at OHA since 1979 and 1980, only one case, involving $582,000, has recently been decided and funds disbursed. OHA officials readily acknowledge that progress has been slow and attributes the delays primarily to the huge backlog of gasoline allocation cases which OHA had to resolve in recent years.

The remaining funds in the escrow account, involving 363 consent orders and approximately $250 million, remain under the jurisdiction of the Office of Enforcement. These cases are broken down as follows:

CONSENT ORDERS

Crude Producers	116
Crude Resellers	12
Entitlements	17
Refiners	21
National Gas Liquid Processors	39
Resellers and Retailers	158
Total	363

Office of Enforcement officials conceded that virtually no efforts had been made to disburse these funds even though many of these cases involve settlements that occurred in 1979 and 1980. Enforcement officials also stated that efforts are currently underway to compile background audit information on these cases and identify overcharged consumers where feasible. In some cases where overcharged consumers cannot be readily identified these funds will be petitioned before OHA and its subpart V procedures. Enforcement officials had no response as to why this effort did not occur at an earlier point in time.

b. Benefits.—As a result of the Subcommittee's hearing, DOE announced a renewed effort to expedite hearings on the $220 million involved in the Office of Hearings and Appeals subpart V proceedings. A major portion of these funds had been before OHA for several years and DOE officials assured the Subcommittee that all feasible steps would be taken to increase disbursals to identifiable consumers. A decision is pending before Secretary of Energy designate Donald Hodel as to what to do with those funds where consumers cannot be identified.

c. Hearings.—A hearing was held on March 24, 1982. That hearing transcript has been printed.

7. The Role of the Department of Energy in the Financial Support of Synthetic Fuels Projects.

a. Summary.—The Energy Security Act, which created the Synthetic Fuels Corporation, also gave the Department of Energy authority under the Defense Production Act to fund synthetic fuels plants during the time between the passage of the act and the activation of the corporation.

In June of 1981, the Subcommittee began an investigation of the negotiation by the Department of Energy of two financial assistance packages under DPA for commercial-scale synthetic fuels plants. The inquiry was initiated after reports were received that the department was negotiating contracts with terms that were very favorable to the private companies. In addition, it appeared that no attempt had been made to determine if these plants would have proceeded without government funding. One of the contracts was with Union Oil Co., the nation's 15th largest oil company, and another was with TOSCO, which was in partnership with Exxon, the nation's largest oil company.

It also was apparent that, at the same time the Reagan Administration was strongly stating in its economic recovery plan that major government support of synfuels projects would come only through the Synthetic Fuels Corporation, the DOE staff was negotiating synfuel contracts on a staff level without any guidance from Secretary James Edwards as to what terms and goals the department was attempting to achieve. The total commitment in price and loan guarantees was estimated to be in excess of $3 billion. According to press reports, price guarantees given to Union would amount to $89 per barrel in 1980 dollars with 1990 production. Those guarantees, based on DOE's own projections of the 1990 market price of $42 to $58 per barrel in 1980 dollars, would have cost the taxpayers between $31 and $47 per barrel in subsidies for each barrel produced from Union's 10,000 barrel-per-day plant. At that rate, the annual subsidy would have been between $113 million and $171 million.

Press reports also indicated that the chairman of the SFC had serious questions about the viability and need for funding the TOSCO project. The Subcommittee expressed concerns about the TOSCO contract because the long-term commitment of Exxon, the majority and controlling partner in the project, was never verified by DOE.

DOE refused to give the Subcommittee any information about the contracts, claiming that while in negotiation they could not be discussed with Congress. On June 24, 1981, the Subcommittee voted to subpena documents relating to the Union contract from the department. (Because the contract with TOSCO was a loan guarantee, it was required to be submitted to congress for a 30-day review.) A postponement of the enforcement of that subpena was requested by David Stockman, Director of the Office of Management and Budget, until a meeting could be held between Mr. Stockman, Mr. Edwards, Mr. Moffett and Mr. Deckard, the Subcommittee's ranking minority Member.

At the hearing on July 9, Energy Secretary James B. Edwards was questioned about the apparent intention of his department to make major funding decisions concerning synthetics fuels, actions which appeared to be counter to the intent of the President, and the SFC chairman.

> Mr. EDWARDS. Mr. Chairman, these will be shifted over to the Synthetic Fuels Corporation, and that is why we have been working very closely with the staff of the Synthetic Fuels Corporation so that they can take these projects over.
>
> Mr. MOFFETT. But they did not choose the projects to be negotiated in the first place. They never had any veto rights over the terms of the contract, even though they have been sitting in your negotiations on the projects, and most of the negotiations have taken place while the Synfuels Corporation was under this interim leadership left over from the Carter administration . . .

Mr. Edwards could not state whether the project funded jointly by Exxon and TOSCO would have failed without government support.

After the meeting requested by Mr. Stockman, DOE provided additional information in six areas of the Union contract and also gave Subcommittee staff additional briefings. However, because of his refusal to produce the requested documents, Secretary Edwards was held in contempt by the Subcommittee on July 23, 1981.

On July 29, Mr. Edwards, after personal approval by President Reagan, signed the Union contract. The documents were immediately produced to the Subcommittee.

b. Benefits.—Although the Subcommittee did not receive the documents prior to the signing of the contract, it had received enough information during its dealings with DOE to determine the major terms of the contract and comment on them.

One of the most important terms—that providing for an automatic escalation in the support price every quarter—was abandoned in favor of a complex formula which took into consideration the rate of inflation and the cost of natural gas for use in the plant. This change is expected to be much more favorable to the government, and will probably result in a savings of millions of dollars.

The confrontation between the Subcommittee and the administration also forced the Reagan Administration to take full responsibility for the synthetic fuels program and its effects on the Federal budget deficit and debt ceilings.

Subsequently, the U.S. Synthetic Fuels Corporation, which had assumed responsibility for the Union and TOSCO projects from DOE, halted assistance to the TOSCO project after Exxon, the majority partner, withdrew because of massive cost overruns. The Subcommittee had questioned DOE's failure to verify Exxon's commitment to the project before funding, but DOE refused to do so. DOE's own comptroller had questioned TOSCO's estimates as being too optimistic.

The government was very fortunate that because of the early termination of the project, it was able to recover the $78 million invested. The Subcommittee's constant oversight of this multi-billion-dollar program has resulted in a much more critical, cautious approach to synthetic fuels funding.

8. Review of the Decision of the Department of the Interior To Eliminate the Young Adult Conservation Corps and the Youth Conservation Corps: Department of the Interior Oversight.

a. Summary.—One of the most successful youth employment programs has been that of the youth conservation corps, which were created in the mid-1970s when youth unemployment reached 15 percent. Participants in the Young Adult Conservation Corps and the Youth Conservation Corps have worked in highly labor intensive jobs, mostly in the country's national parks, forest, wildlife refuges, and rangelands, although state park and land management agencies have also benefited.

In addition to providing good training for many unemployed youths, the program has also been economical for the taxpayer. In 1980, conservation work valued at $341 million was provided at a much lesser cost than would have been paid to outside contractors. Over 90,000 youths were employed. Without a doubt, this is one Federal program which has demonstrated its cost-effectiveness.

Unfortunately, the Reagan Administration in early 1981 decided to completely eliminate the program. In addition, Interior Secretary James Watt declared that a major $557 million program, undertaken by outside contractors, would be necessary to improve conditions in the national parks. The contractors would be doing much of the same work already done more efficiently by these young people.

The Subcommittee held hearings in Washington, D.C., and New York City on the effect of the elimination of this program. Testimony indicated that both the Department of Interior and the Department of Agriculture viewed the programs as "good" programs which had provided significant assistance to their land and water management programs.

Witnesses from the Department of Interior, however, stated that the corps should be discontinued to help the President balance the budget, a somewhat inconsistent position since the outside contractors required to replace them would cost more for the same benefit. Interior's witnesses also suggested that without the corps, the projects they carried out, although key to the maintenance and improvement of national parks, forest, and other properties, would not be completed.

Participants in the programs, representatives from various states, New York Mayor Ed Koch, the American Forestry Association, and a national Hispanic community organization also appeared to praise the importance of the program to both the Federal and state lands and also to the particpants. Mayor Koch said New York received $3 worth of work for each dollar invested. The value of the work experience for minority youth with little or no job opportunities was emphasized at the hearings.

b. Benefits.—Based in part on the interest generated by the Subcommittee's hearings, Congress reinserted $20 million of the $60 million budget for the youth conservation programs. That appropriation will allow several thousand young people to continue their cost-effective work. The valuable assistance of even these reduced crews will be available for one more year, saving several million dollars in expenditures for preserving Federal and state lands.

On June 9, 1982, the House overwhelmingly passed legislation introduced by Subcommittee Chairman Toby Moffett and Rep. John F. Seiberling to create a new youth conservation program, the American Conservation Corps. (The legislation at the time of this report was awaiting Senate action.) The Moffett-Seiberling bill would fund the new youth training and conservation program through 1989. Fees collected from oil rights, timber cutting, mining and other activities on federal lands would fund the program at no additional cost to the taxpayer.

c. Hearings.—Hearings were held on June 25 and July 17, 1981. The transcripts of those hearings have been printed.

9. Leasing of Offshore Public Lands for Energy Exploration and Development: Department of the Interior Oversight

a. Summary.—In February 1981, after only two weeks in office, Interior Secretary James Watt proposed a reversal of a 1980 decision by former Interior Secretary Cecil Andrus not to lease four offshore northern California basins for oil and gas exploration and development. The earlier decision was the result of a four-year process which began with public hearings and included nominations from oil companies to determine the areas of which there was the greatest interest in leasing. The companies nominated five basins.

The State of California had opposed leasing in four of the basins and, under the 1978 amendments to the Outer Continental Shelf Lands Act, the Secretary of Interior is required to accept the recommendation of the affected state unless the state has failed to balance responsibly the well-being of its citizens and the national interest. For his part, the Secretary is required to balance competing energy and environmental considerations.

The action by Secretary Watt reopened a deep and bitter controversy which all parties thought had been resolved with the proposed leasing of the fifth basin—the Santa Maria Basin in which 80 percent of the hydrocarbons are expected to be found. The four other basins were also thought to be too environmentally sensitive to allow drilling. Watt's action indicated an apparent lack of concern for environmental issues.

The Subcommittee held two hearings, one in California and one in Washington, D.C., to determine if California had been responsible in its opposition to the lease sales in the four basins, and if Secretary Watt was properly implementing the Federal laws governing offshore leasing.

The Subcommittee also requested that the General Accounting Office review Secretary Watt's announced proposal to change the existing five-year plan for leasing offshore tracts to allow oil companies to lease essentially all of the country's offshore lands for development within the next five years. Questions had been raised about the potential environmental impacts of such a move, as well as industry's ability to use all of this property.

In addition, the impact on royalty revenues, competition in the oil industry, and the effect on the nation's overall energy program appeared not to have been considered.

At the California hearing, 36 witnesses appeared. Governor Jerry Brown testified that he would work with the Interior Department to open most of the tracts in the Santa Maria Basin, but would fight any attempts to open the other areas to exploration and development. Representatives of the nine affected coastal counties said oil exploration and development activities would present unacceptable risks to their fishing and tourist industries.

The California Coastal Commission representative stated that the proposal conflicted directly with its coastal development plan. The fishing industry and Indian representatives expressed fears about the impact on already strained fish resources.

At the Subcommittee's second hearing, Secretary Watt defended his leasing proposal. He stated that the purpose of the OCS Act was to "achieve national economic and energy policy goals," not to "preemptively close [areas] to leasing, exploration and development . . . The only way in which we can discover, identify and inventory those resources is through exploration." Watt denied that the states had any decisionmaking authority over offshore leasing. According to Mr. Watt, "The reasonableness of [Governor Brown's] statement is not the test. The test is balancing state interest versus national interest. The national interest is the test. Governor Brown does not have a national perspective and charge, as does the Secretary of the Interior."

His other defense was that the government had been derelict in its stewardship of the nation's resources. "We do not know what our resource potential is. We are not prepared adequately to protect the military and domestic needs of America in the time of a crisis. That must be remedied, and it must be remedied quickly."

Rep. Norman Panetta (D-Calif.) and Rep. Don Clausen (R-Calif.) testified against the proposed lease sale. Rep. William Dannemeyer (R-Calif.) supported Secretary Watt's position.

GAO's report on Interior's proposed changes in the five-year plan revealed that it had not been properly thought out. GAO stated:

> 1. Redesignation of the program was done within Interior with little or no input from other Federal agencies and only minor consideration of input from the public sector.
> 2. Interior has not detailed how simultaneous reductions of program funding and staffing and implementation of its expanded leasing program will be accomplished.
> 3. Interior has not fully evaluated all likely impacts of the program, especially the impacts in terms of additional land expected to be leased; industry competition and small company participation in lease sales, long-range revenue receipts, and impacts on the economy.
> 4. Interior has not assessed the ability of state and local governments to participate in offshore decisionmaking under the new program nor has Interior examined the use and impacts of using alternative bidding systems in the program.
> 5. Interior's recent action in extending lease terms from 5 to 10 years in difficult areas could also increase the amount of land leased. Yet, if this becomes a trend, it could well result in land being explored and developed at a slower pace than what is desired. Industry would have 10 rather than 5 years to explore a lease [area].

Moving ahead with this plan without undertaking the power analysis of its impact could not only cut revenues to the treasury by billions of dollars but also result in additional adverse marine and coastal environmental impact.

b. Benefits.—In June Secretary Watt had decided not to lease the four northern basins in Lease Sale 53—those basins which have low resource potential and whose leasing was strongly opposed by the State of California and coastal counties for environmental and coastal impact reasons. Not leasing those basins at this time also saves the taxpayers unnecessary expenditures for the actual leasing and post leasing process, as well as expenditures it would have taken to fight, through court action, a local suit filed to stop the leasing of those areas. Moreover, it will avoid any potential damage to the coastal and marine environment which might have resulted from basin activities.

Secretary Watt also decided not to submit to Congress as scheduled his plan to lease within the next five years the entire Outer Continental Shelf. Watt is reevaluating his plan. Such a decision will most likely result in a scaling down of the plan, which will reduce the costs of administering the plan, cut down on possible environmental damage resulting from offshore leasing and provide greater royalty revenues to the Federal treasury than could be realized during a "dumping" of Federal leases on the market during a very short period of time.

Secretary Watt's revised 5-year plan has been the subject of months of detailed review by numerous Congressional subcommittees as well as by environmental groups and affected state governments. Those additional inquiries have found that the plan does not allow for sufficient time to assess potential environmental damage, that it drastically limits state and local governments' role in the decisionmaking process, and that the return to the American taxpayer has been greatly exaggerated by DOI. According to some analyses, the Watt plan would cost the Treasury some $77 billion. The Moffett subcommittee's investigation and subsequent GAO report served as the basis for expanding the review of Mr. Watt's ill-conceived plan. To date, the Subcommittee inquiry has helped to prevent the implementation of the plan.

c. Hearings.—Hearings were held on April 1 and April 28, 1981. The transcripts of those hearings have been printed.

10. Oversight of the Efforts of the Environmental Protection Agency To Regulate Toxic Chemicals and Hazardous Wastes Between January and September 1981.

a. Summary.—In the past three years, the Environmental Protection Agency has been given broad powers under the Toxic Substances Control Act (TSCA), the Resources Conservation and Recovery Act (RCRA), and the Comprehensive Environmental Reponses, Compensation and Liability Act (Superfund), to protect the public from the effects of toxic chemicals and hazardous pollutants. In addition, these substances are subject to EPA regulation under the Clean Water Act, the Clean Air Act and the Safe Drinking Water Act, as well as other EPA authorities.

To achieve the broad Congressionally mandated goals of those acts, the agency must promulgate the appropriate regulations and carry out a vigorous enforcement effort. Unfortunately, all indications from the Reagan Administration and the new EPA officials point to the unescapable conclusion that, instead of an enforcement effort, systematic budgetary and regulatory actions are being taken to gut the government's control over toxic and hazardous materials.

During its inquiry, the Subcommittee determined that lengthy and deliberate delays were being experienced in the issuance of critical EPA regulations. EPA Administrator Anne Gorsuch, who withdrew proposed landfill regulations, said that new regulations would not be promulgated until late 1983. That date is five years after the date mandated by law, and leave thousands of dump sites operating without any effective Federal controls. Another delay will be caused by the review of existing storage impoundment and incinerator regulations. The financial responsibility regulations for landfill operators have been delayed for serveral months.

The General Accounting Office, in a report to the Subcommittee, found that the interim permit program for landfills does not provide public health and environmental protection, in part because of a lack of staff.

Ms. Gorsuch also told the Subcommittee that the national contingency plan for implementing the Superfund cleanups by both the Federal and state governments, a very critical document for dealing with the most dangerous waste sites, would not be finished until sometime in 1982.

Budget cuts proposed by Ms. Gorsuch will cripple the Federal enforcement program, an effort that the State will not be able to assume. These include a:

27 percent reduction in the toxic substances control program;
20 percent reduction in the water quality program;
15 percent reduction in the air quality program;
11 percent reduction in the safe drinking water program;
48 percent reduction in research and development; and
30+ percent reduction in abatement and control programs across the board.

Ms. Gorsuch claimed before the subcommittee that the agency would do a better job with less resources. Her statement was disputed by William Drayton, former assistant EPA administrator for policy and budget. Mr. Drayton estimated that the new enforcement requirements for toxic substances placed on EPA by Congress would double EPA's workload, while the Reagan-Gorsuch proposal would cut the agency's budget in half. That means EPA won't be able to do either its old or its new job. The air and water will become dirtier and the public will not be protected against environmental toxics. One has to believe in magic, not management, to think that half the agency can do twice as much.

When the administrator suggested that the air and water quality enforcement programs could be turned over to the States, the subcommittee presented evidence indicating that the States could not handle such new responsibilities. EPA's budget and program reductions would result in "delays and uncertainty for industry" as well as less environmental protection for the public and workers.

During its investigation, the subcommittee also discovered that officials at EPA were holding private meetings with industry representatives to discuss possible regulatory decisions. A number of those meetings involved discussion of EPA's regulatory policy toward two toxic chemicals: formaldehyde and di(2-ethylhexel)-phthalate (DEHP). Although EPA acknowledged that the meetings, widely attended by industry representatives, were not publicly announced or recorded, no attempt was made to invite representatives of any other views.

The formaldehyde and DEHP meetings, which are only one example of the influence regulated industries now exert at EPA, appear to be in violation of the Federal Advisory Committee Act which requires that any meetings with outside groups for the purpose of advising on agency policy must be public unless appropriate prior notice is given. Ms. Gorsuch, however, maintained environmental groups and other interested parties were somehow at fault for not having known of the meetings and demanding to be present.

These meetings, combined with the agency's elimination of public access to environmental information and its participation in regulatory decisionmaking, raise serious questions about whether the nation's environment will be protected under this administration.

b. Benefits.—The Reagan administration's unique view of the limited role of EPA in protecting the nation's environment mandates that Congress and the public have as much information as possible to effectively evaluate the potential effects of that approach. The investigation and hearing of the Subcommittee provided an opportunity for a diverse range of views to be presented, views which the agency has systematically excluded from its policy meetings.

At the Subcommittee's hearing, EPA Administrator Gorsuch stood firmly behind her statements that the health and safety of the public and the nation's environment can be fully protected with a 50-percent cut in budget appropriations, with delays in the issuance of regulations and a reduction of enforcement cases. The clarity of her beliefs and unequivocableness of her statements will facilitate further oversight in this area.

c. Hearings.—The transcript of the hearing of October 21, 1981, have been printed.

11. National Efforts To Control Ground and Surface Water Contamination: Environmental Protection Agency Oversight.

a. Summary.—The Subcommittee found in a series of hearings in 1980 that ground water contamination is one of the most serious environmental problems of the 1980s. Ground water is a drinking water source for over 100 million Americans, as well as an important source of clean water for industrial and agricultural uses. It is very susceptible to contamination from surface impoundments of toxic industrial wastes in pits, ponds and lagoons, landfills containing hazardous waste, pesticide and agricultural runoff, and mining and petroleum exploration.

The urgency to address the ground water contamination problem stems from the fact, once polluted, the aquifers are so slow to purge themselves that they can become irreparably contaminated, unusable for thousands of years. Even when the damage once done can be repaired, the cost runs into the hundreds of millions if not billions of dollars. The hearings and a subsequent Committee report identified specific preventative actions that the Environmental Protection Agency should take expeditiously in order to develop a comprehensive ground water protection strategy. The Subcommittee continued that investigation into 1981, focusing on what progress had been made toward implementing that strategy.

In addition, the inquiry was expanded to include a review of EPA's program to issue regulations for controlling toxic chemical discharges into surface waters. The Clean Water Act Amendments of 1977 as well as a Federal court consent decree established a detailed framework for preventing the contamination of surface water. Included was a timetable for promulgating regulations governing toxic chemical discharges from 21 industries and 65 specific toxic pollutants. It was on that element of the Clean Water Act progam that the Subcommittee directed its attention.

Unfortunately, the November 1981 hearings revealed that little or no progress had been made from early 1981 through the fall of 1981 in putting the ground water protection program in place. EPA Deputy Administrator John Hernandez acknowledged that the agency had failed to issue a national ground water protection strategy, had failed to promulgate regulations setting maximum contaminant levels for toxic organic chemicals in ground water and had failed to compile a final comprehensive survey of the nation's surface impoundments which pose such a serious threat to ground water. Without those key elements the status of EPA's ground water protection program is little better than it was in 1980 when the Subcommittee first addressed the problem.

The Subcommittee hearings disclosed that EPA's development of regulations to control toxic chemical discharges into surface waters has come to a virtual standstill. Information presented to the Subcommittee suggested that the agency had intentionally reduced, disproportionately, both resources and manpower for that particular program. Having successfully slashed the program's funding, EPA then proposed to delay the issuance of final regulations up to 44 months. There is little evidence to indicate that the levels of controls currently in place adequately control the numerous toxic chemicals routinely discharged into surface waters.

Mr. Hernandez even acknowledged that the agency was considering altering the approach toward toxic discharges which could well delay the program for several more years. The current approach was mandated by Congress and the Federal court system based on a decade of efforts to control the problem of surface water contamination culminating in the program established by the Clean Water Act. The effect of EPA's delays and proposed changes may well be the deterioration of the water quality in the nation's rivers and streams with possibly deleterious effects on human health.

At a field hearing in Waterbury, Connecticut, the Subcommittee examined the impact on the Connecticut metal finishing industry of EPA's failure to issue those same Clean Water Act regulations. Connecticut metal finishers have already taken significant steps to install pollution control equipment in order to prepare for the anticipated issuance of regulations requiring them to take such actions. As a result, rather than being rewarded for their commitment to build environmentally sound facilities, they have found themselves at a competitive disadvantage since metal finishers in neighboring states continue to dump industrial wastes directly into rivers and sewer systems. Witnesses from the industry as well as the Connecticut Department of Environmental Protection urged the speedy issuance of the regulations.

b. Benefits.—As a result of continued prodding by the Subcommittee, EPA has promised to issue a ground water strategy early in 1982, publish regulations for controlling toxic organic chemical contaminants in ground water in January 1982, and issue the Final Surface Impoundment Assessment by early 1982.

c. Hearings.—Hearings were held on October 21, November 4 and November 25, 1981. The transcripts of those hearings have been printed.

12. Response by the Department of Energy to Increased Budget Appropriations for Enforcement of Alleged Pricing Violations.

a. Summary.—On June 12, 1981, the Subcommittee issued a report on the impact of administration policies on Department of Energy enforcement of oil pricing regulations. The report (discussed above) found that the Reagan administration's enforcement policies were "suggestive of a grant of amnesty" to the major oil companies. Following publication of the Subcommittee report, both the House and Senate passed legislation that rejected the 80 percent cut in the DOE enforcement program recommended by the Reagan administration.

Despite the clear Congressional mandate for a vigorous and adequately funded enforcement program, internal documents obtained by the Subcommittee showed that DOE planned to spend only one-third the money for enforcement that had been appropriated by Congress for Fiscal Year 1982. Secretary James Edwards, however, testified that the relevant DOE documents did not represent agency policy, and that the department had every intention of pursuing a vigorous enforcement program.

The second focus of the Subcommittee's hearing was the Reagan administration's claim—and inclusion in the Gramm-Latta budget resolution—that $1.5 billion would reach the Federal treasury because of prosecution of oil price overcharge cases. The Subcommittee questioned that figure because it is well known that overcharges are returned to the purchasing customers, which are both public and private parties. The figure represented a fifteen-fold increase over previous overcharge funds returned to the treasury.

When questioned, Secretary Edwards admitted that the $1.5 billion figure had no basis in fact, and there would thus be a significant revenue shortfall in that area.

The Subcommittee also examined the bureaucratic delays in finalizing consent orders with oil companies in overcharge cases. For example, DOE had taken over six months to finalize a consent order with Pennzoil under which the company had agreed to a $10 million liability. A similar delay occurred with a $4 million consent order with TOSCO Corporation. DOE officials were unable to adequately explain the reason for this delay and assured the Subcommittee that expedited procedures would apply in the future.

b. Benefits.—The Subcommittee's hearing made public the fact that the President's budget would contain a $1.5 billion revenue shortfall. It was also clear that the administration had been less than truthful in presenting its budgetary assumptions to Congress. Further, DOE committed itself to expedite its procedures for reviewing and approving consent orders with the major oil companies. This will allow a quicker return of overcharge recoveries to identified consumers.

c. Hearing.—The transcript of the hearing of July 9, 1981, has been printed.

13. Ethics Violations at the Department of Energy.

a. Summary.—Upon the arrival of the new administration which brought many of its officials from outside of the govenment, ethical questions arose relating to both financial disclosure and the role these officials intended to play in regulating the companies by which they were formerly employed.

The Subcommittee investigated three such incidents. The first involved Kenneth Davis, a former officer at Bechtel Corportion who was appointed Deputy Secretary at the Department of Energy. The department attempted to grant Mr. Davis broad waivers which would have allowed him to become involved in decisionmaking which affected his former employer, a major DOE contractor.

The DOE Organization Act, which created the department, has strict conflict-of-interest provisions which prevent the granting of such waivers except in narrowly defined situations which clearly were not applicable in Mr. Davis' situation. The Subcommittee sent a series of letters to Energy Secretary asking him to justify the proposed waivers in specific reference to the DOE Organization Act.

The Subcommittee also examined Mr. Davis' role at DOE prior to his appointment. Regulations of the Office of Management and Budget prevent a consultant, which was Mr. Davis' interim position, from becoming involved in policymaking. But he attended a Cabinet meeting in Secretary Edwards' absence and also was involved in the deliberations on the Fiscal Year 1982 nuclear budget. A similar investigation by the Subcommittee concerned R. Tenney Johnson, who was a consultant later named to be the agency's general counsel.

The focus of the third investigation was the failure of a special assistant to Secretary Edwards to file a complete financial report. Under the Ethics in Government Act of 1978, financial disclosure forms must be filed by employees at the GS-16 level. They must include information about all investment and noninvestment income: all property interests and assets; liabilities; prior positions held; and on-going relationships with other employers, including agreements regarding future employment, continuation of payments by former employers and participation in pension plans.

The Subcommittee found numerous shortcomings on the form of the special assistant, who had previously been involved with a DOE contractor. Information was incomplete and inaccurate, with the major omission involving his relationship with the DOE contractor. After two amendments, both approved by DOE's ethics officer, the disclosure form was still incomplete.

The Subcommittee brought its information to the attention of Secretary Edwards and severely criticized the department's lackadaisical attitude about disclosure forms. Shortly after, the special assistant left DOE.

b. Benefits.—The Department of Energy severely limited its waivers allowing Mr. Davis to become involved in matters concerning his former employer.

The Subcommittee's oversight of the financial disclosure forms and the proper role of consultants at the department pointed out to the new agency policymakers ethical responsibilities that they may not have been aware of and encouraged them to reevaluate the role of consultants.

14. Investigation of the Department of Energy's Funding and Oversight of the Solvent Refined Coal Synthetic Fuels Plant, Morgantown, W. Va.

a. Summary.—In 1980, the Department of Energy awarded a contract to Pittsburgh and Midway Coal Mining Co., a wholly owned subsidiary of Gulf Oil Corporation, to demonstrate a solvent refined coal (SRC–II) process for converting high-sulphur Eastern coal into liquid fuels. Gulf was responsible for the design, construction and operation of the planned 6,000-ton-per-day plant planned for Morgantown, West Virginia.

Originally estimated to cost $685 million, SRC–II was subsequently projected to cost $1.4 billion. It was also two years behind schedule. The major portion of its cost was to be paid by the American taxpayer. Although styled as a joint venture between government and industry, Gulf's direct cash contribution was about $14 million—barely 1 percent of the total costs. If the demonstration plant was successful, Gulf had the option to purchase it and convert it to a 30,000-ton-per-day facility. Gulf had no legal or financial obligation to do so, however. If Gulf opted out, the U.S. government would have to dispose of the plant.

The governments of Japan and West Germany were to pay 25 percent each of the first $1.4 billion in costs, less payments Gulf had already received for its foreign patent rights. The remaining $785 million of the first $1.4 billion in costs would be borne by the U.S. government, as would 100 percent of all cost overruns, which were expected to be large because of the lack of experience in building synfuels plants.

The Subcommittee examined the status of the project with specific emphasis on the quantity of project management by Gulf Oil Company, the operating partner. The Subcommittee was also concerned that the U.S. government had assumed a disproportionate share of the financial risks and cost overruns for the project. To assess Gulf's fiscal and managerial contributions to the project, the Subcommittee received testimony from Richard Flinn, Vice-President of SRC–II International, Gulf's subsidiary handling the project.

The Subcommittee's hearing revealed for the first time that:

(1) The project had fallen at least another 15 months behind schedule and would not be completed until 1986 or 1987.

(2) Projected costs for the project had risen another $600 million. Completion costs were now estimated at over $2 billion.

(3) Even before the contract was let, a DOE review team had found that Gulf was not committing significant corporate resources to the initial phases of the project, which resulted in a loss of scheduling and cost control. Specifically, DOE found that, "[u]nless all of these problems are satisfactorily resolved, the success of the SRC–II project will be in jeopardy."

(4) Similar conclusions were reached by a General Accounting Office review team.

(5) A second DOE report after the contract was signed concluded that Pittsburgh & Midway not only lacked "sufficient

understanding of the basic concepts of project controls," but also did not provide authority or define work in enough detail to provide for adequate project control. There were no written procedures for cost and schedule control and no monthly reports. "No one has been assigned the responsibility to establish and maintain budget integrity, a primary control requirement."

(6) A contractor procurement system review team, an interagency audit group, questioned Gulf's noncompetitive procurement practices and lack of a cost analysis or timetable for construction.

(7) A much smaller—and less expensive—plant would have just as easily demonstrated the technology. The larger plant was just a bonus for Gulf and was really a small commercial plant.

(8) Gulf and the Department of Energy had misled Congress as to both the true cost and scheduling delays of the project.

b. Benefits.—Subsequent to the Subcommittee's hearing, the United States, Japan and Germany decided to drop the project.

c. Hearing.—A hearing was held on February 17, 1981. The transcript of that hearing will not be printed.

15. The Response of the Synthetic Fuels Corporation to Recommendations of the Subcommittee: Synthetic Fuels Corporation Oversight

a. Summary.—In a report issued in May 1981 (and discussed in detail elsewhere in this document), the Subcommittee made several findings critical of the activities of the U.S. Synthetic Fuels Corporation during the early days of its existence. In brief, those criticisms were directed to an apparent lack of understanding of the former directors and officers of the corporation of their responsibilities to carry out the dictates of the Energy Security Act with the care, concern and public responsibility that would be expected of any other federally funded body.

In May, the Senate confirmed Edward Noble as the new chairman of the corporation. Four other directors were confirmed on September 11, 1981. Two vacancies still remain on the board, and no nominees for those postions have as yet been proposed by the President, although almost a year has passed since he fired the old board.

Mr. Noble appeared before the Subcommittee on September 17, 1981, accompanied by Victor Schroeder, another director who subsequently was named the corporation's chief operating officer. The purpose of the hearing was to obtain commitments on the record from Mr. Noble that steps would be taken immediately to remedy past actions of the former board which were questionable from either a legal or policy point of view.

At the hearing, Mr. Noble committed the corporation to a complete review of the overall compensation system to be carried out by an outside contractor and a committee of board members. That review would be based on the congressional mandate that "to the maximum extent practicable" compensation stay within Federal schedules.

Concerning the solicitation for proposals, Mr. Noble responded to the Subcommittee's earlier criticisms by stating that he would recommend an amendment of the initial solicitation to provide for separation of proposals into categories based on natural resource and incorporate project selection criteria into the proposals themselves. So that the competitive bidding aspects of the Energy Security Act could be carried out, he said solicitations would have definite dates for response by proposers instead of being open-ended. The responses would be received in phases, with each successive phase resulting in the requirement of more detailed information from the surviving competitors.

Mr. Noble also committed the corporation to developing new open meeting and public disclosure policies and addressing the conflict-of-interest and outside contracting issues through formal, board-approved guidelines.

In response to further questioning by members of the Subcommittee, Mr. Noble stated that the corporation intended to evaluate the environmental monitoring plans for each proposal before granting financial assistance. After a question by Rep. Joel Deckard (R-Ind.), Mr. Noble said:

> Congressman, what I am saying is that the power we have under the act when we approve the financial package and before we approve a sponsor is more that we see that they have in place not only an internal monitoring program, but also that they are cooperating fully with the other agencies involved.

He also said that the corporation would not allow a project to go ahead if it caused environmental and socioeconomic problems that were not resolved with "some kind of a plan."

In June of 1982, the Subcommittee reviewed the corporation's implementation of its substantive mandate: the development of a commercial synthetic fuels industry. In a hearing at which Mr. Noble was again the primary witness, the subcommittee questioned the ability of the corporation to develop such an industry in the current economic climate of falling oil prices and lessening demand. The corporation's own staff stated that almost no private sponsors were ready to begin construction. Other studies and evidence indicated that the price per barrel of synthetic fuels was going to be higher than expected and would involve direct federal outlays, instead of merely contingent outlays as Mr. Noble maintained.

The Subcommittee's investigation also indicated that the corporation could not build the commercial-scale plants the Energy Security Act mandated because private industry perceived the risk as too high, even with government subsidies. Uncertainties about cost estimates, technology capabilities and market demand have combined to kill major projects on the drawing board. The corporation now appears to be assuming a pilot and demonstration role in synthetic fuels development, which some critics maintain was not the purpose of the enabling legislation.

b. Benefits.—The hearing emphasized to the new members of the board of the Synthetic Fuels Corporation the interest of the Subcommittee in establishing an organization which took the letter and the spirit of the Energy Security Act seriously and also realized its ultimate accountability was to the Congress and the American taxpayer.

Subsequently, the board took many of the actions recommended by the Subcommittee, including revision of the solicitation for proposal, which included not only Mr. Noble's recommendations, but a formal provision for state comment on the environmental and socioeconomic impacts of proposed projects; revisions of the open meeting and public disclosure guidelines; revisions in the by-laws; and the approval of a policy to govern contracting with outside consultants and suppliers of goods and services.

The corporation's subsequent implementation of its initial policies has been less than adequate, requiring consistent oversight by the Subcommittee and the General Accounting Office. Hopefully, as the agency matures, its directors and staff will be more willing to accept their responsibilities as employees of a federal entity.

The Subcommittee's work also brought to public attention the potential for waste and abuse of government funds by the Synthetic Fuels Corporation because of changes in the world oil market. Continued oversight of this program is a high priority.

c. Hearings. The transcript of the September 17, 1981, and the June 9, 1982, hearings have been printed.

16. Weaknesses in the Department of Energy's Financial Controls.

a. Summary.—As the largest civilian procurement agency in the Federal government, the Department of Energy spends approximately 70 percent of its annual $12 billion budget on a variety of grants, contracts and purchases that involve payments to outside parties. This situation necessitates extensive accounting and auditing safeguards to assure that payments are properly made to outside contractors for work already done or equipment delivered.

Because of DOE's heavy reliance on outside contractors and the size of its budget, the Subcommittee launched a five-month review of DOE's internal controls to determine their adequacy in preventing waste, fraud and abuse. Assistance was provided to the Subcommittee by the General Accounting Office.

During its investigation, the Subcommittee found that:

(1) DOE's existing accounting systems were transferred from its predecessor agencies and have not been updated to meet the needs of a Department with a $12 billion a year budget. DOE officials acknowledge the weaknesses of those former systems. As a result, DOE is unable to identify cumulative spending for major Departmental projects and programs.

(2) DOE's internal financial controls are inadequate and provide substantial opportunities for waste, fraud and abuse.

(3) Numerous reports prepared by DOE and by outside consultants, costing millions of dollars, have consistently documented the weaknesses in DOE's accounting procedures.

(4) Next to the Department of Defense, DOE has the largest procurement budget in the Federal government. DOE controls over payments to contractors are so loose, that in a recent eight-month period contractors voluntarily returned close to $500,000 in overpayments received from DOE.

(5) According to DOE records assembled and reviewed for the first time by DOE at the Subcommittee's request, DOE contractors and grantees received $41.4 million in *reported* overpayments in fiscal 1979 and $85.6 million in fiscal 1980. *Reported* overpayments in fiscal 1981 are in excess of $25.5 million. *Reported* overpayments for purchase orders totaled $7.5 million in fiscal 1979, $9.6 million in fiscal 1980 and $8.4 million plus in fiscal 1981. DOE closed its financial books in fiscal 1979 and 1980 without determining the validity of those overpayments.

(6) Many of the overpayments shown on DOE's books do not represent actual overpayments but are the result of accounting and bookkeeping errors. An undetermined millions of dollars in actual overpayments has occurred, however. DOE for the first time, following the Subcommittee's lead, is attempting to check out all reported overpayments.

(7) Contrary to Office of Management and Budget (OMB) regulations prohibiting outside contractors from performing basic government functions, DOE, in the midst of the Subcommittee investigation, hired a private consulting firm to seek to balance some of its books.

(8) Contrary to statutory and regulatory requirements, DOE has only recently reviewed its outstanding contractual obligations. Thus, DOE does not know the extent of its indebtedness to outside parties. This limited review has uncovered a substantial amount of funds which have been incorrectly identified as obligations.

(9) Internal reports obtained by the Subcommittee indicate that DOE's official financial reporting system used by DOE's managers to assess the proper execution of Congressional appropriations and the adequacy of the Department's internal financial controls, has an unacceptable rate of reporting errors and incorrect financial information. By DOE's own admission, this system "has not produced accurate and timely reports since the inception of DOE in 1977."

(10) DOE's administrative control of funds, which is designed to assure that funds are spent for the purposes dictated by Congress in appropriations measures, is deficient. DOE frequently overspends in certain areas, while underspending in others, contrary to Congressional intent.

(11) DOE has been delinquent in pursuing possible criminal, civil and administrative violations by DOE officials with spending authority. As of the end of fiscal 1981, DOE had not reviewed all reported fiscal 1980 overspending violations.

(12) DOE's field offices which administer a substantial portion of the Department's programs, employ lax and loose accounting procedures. A recent GAO survey of field offices' accounting practices found "weaknesses in internal controls over accounts receivables, collections, disbursements, imprest funds and obligations . . . Furthermore, there was a lack of audits of internal control procedures and a general absence of local operating instructions."

(13) DOE's grants program is administered contrary to OMB regulation regarding the granting of cash advances at an estimated $8.6 million annual loss to the government in added bor-

rowing costs. Accounts receivable in this area are improperly recorded in DOE's books and mandatory spending reports from grantees are not received.

(14) DOE regulations require that all grants be closed out within nine months after termination. Despite that requirement, DOE records shows that over 2,000 grants totaling $209 million have not been closed out within the requisite nine months.

(15) DOE does not have proper control over tens of millions of dollars of government owned property in the possession of outside contractors. DOE official informed the Subcommittee staff that an outside contractor has now been hired to determine which contractors have government property in their possession.

(16) DOE has a substantial number of contracts involving government property awaiting close out. Many of these contracts expired three to four years ago and DOE's accounting records do not indicate what has happened to the government owned property that had been acquired by those contractors.

(17) The effectiveness of DOE's Comptroller's Office has been hindered by constant staff turnover and the arbitrary and the capricious assignment of personnel. Selected personnel actions examined by the staff may have violated applicable civil service rules and regulations. High-level DOE officials have recently begun to concern themselves with the arbitrary and mean-spirited personnel actions of certain DOE managers. One of those officials was removed from all supervisory work for that reason. He subsequently received a $4,000 cash bonus for outstanding performance.

Marshall Ryan, DOE's controller, and Comptroller General Charles Bowsher testified at the Subcommittee's hearing and confirmed all of the Subcommittee's findings.

As a result, the Comptroller General of the United States, Charles Bowsher, announced at the hearing an unprecedented full-scale GAO audit of DOE. The review was to be completed in August 1982.

b. Benefits.—DOE has already taken several steps to improve its accounting systems. It has changed its grants procedures so that cash outlays to grantees is limited to immediate budgetary requirements, and the grantees do not have free use of taxpayers' funds. Steps are being taken to consolidate the management of equipment and other property owned by the department, but in the hands of contractors. Control of that property should result in savings to the department which often had no idea where its property was.

DOE has improved its year-end financial statements to Congress and the Treasury Department to more accurately reflect its financial condition. Included are steps to better assess its outstanding obligations under grants and contracts. The result should be a more accurate assessment by Congress and Treasury of the department's true budgetary needs.

On October 3, 1982, GAO released a report detailing the findings of its unprecedented review of DOE's financial management problems. (Major Financial Improvements Needed at Department of Energy.") The report found serious and widespread financial abuse and mismanagement at DOE. According to GAO, loose financial controls were costing taxpayers millions of dollars a year.

As mentioned previously, DOE had already begun to correct many of the abuses found during the Subcommittee's initial investigation. Those additional problems addressed in the GAO report must be reviewed and corrected within 60 days of the issuance of the report.

c. *Hearings.*—Hearings were held on November 12, 1981, and March 31, 1982. Transcripts of those hearings have been printed.

17. Review of EPA Enforcement Action Against Dow Chemical Co.

a. *Summary.*—In 1979, the Environmental Protection Agency brought an enforcement action against Dow Chemical Co. for manufacturing and marketing "Dowtherm G," a heat transfer fluid containing a monochlorinated biphenyl. The action was initiated by EPA based on its interpretation of the relevant regulations under the Toxic Substances Control Act and the Federal Water Pollution Control Act and numerous court decisions that monochlorinated biphenyls (MCBs) should be regulated as polychlorinated biphenyls (PCBs). EPA's administrative law judge (ALJ) ruled in September 1980 that MCBs were in fact the same as PCBs and should be regulated as such.

Following that decision, EPA and Dow representatives engaged in the process of determining the size of a penalty to be assessed on Dow. That process lasted until September 1981, when Dow abruptly dropped those negotiations and moved to appeal the year-old ALJ decision. Within only a few days of the due date for filing the briefs regarding Dow's appeal, the four EPA attorneys of record were ordered by EPA's enforcement director not to file their already completed brief. Instead, EPA's enforcement chief subsequently directed that EPA attorneys request EPA's judicial officer, who was charged with responsibility for ruling on the Dow appeal, to stay all action on the case pending the agency's consideration of a rulemaking to determine whether an MCB should be regulated as a PCB.

This action resulted in the four EPA attorneys of record resigning from the case in protest of the process used by the agency in making what they considered to be a major policy shift, a policy shift that was made without consulting those most familiar with the case and based instead on telephone conversations with Dow attorneys and a weekend review of selected scientific data.

The Subcommittee had been told earlier by EPA's deputy administrator that Dow "had a problem" with marketing one of its products that he wanted to remedy. As a result, its investigation centered on determining whether EPA's reversal of a long-held policy concerning MCB's was based on factors other than a considered, objective review of the facts, and whether the enforcement director had been unduly influenced by industry pressure.

It found that the enforcement director had in fact gone over the heads of the staff attorneys and negotiated the change in EPA's position directly with the Dow attorneys.

b. *Benefits.*—The investigation impressed on EPA the Subcommittee's commitment to ensuring that EPA policies are developed and carried out in the proper forum, with opportunities for input from all interested parties and only after a careful, detailed and objective review of the best available information. Following the Subcommittee's inquiry, EPA withdrew its motion for a stay to consider rulemaking and had abandoned its plans to issue yet another rule on this subject. As a result, on January 29, 1982, almost four months later, the judicial officer will receive briefs on the original appeal. Therefore, despite industry efforts to circumvent established enforcement practice, and the initial efforts by EPA officials to comply with industry wishes, this particular enforcement case will now be allowed to progress in the prescribed method.

18. The Mobil-Marathon Takeover—The Impact on Energy Policy of the Merger Mania.

a. Summary.—During 1981 the trend toward mergers and takeovers within the energy industry was dramatically intensified. Two takeover efforts illustrated the significance of the increasing concentration within the energy industry: Mobil Oil's attempt to acquire Conoco, and Mobil's unfriendly takeover bid against Marathon Oil of Ohio in the wake of its failure to acquire Conoco.

These attempted takeovers in the fall of 1981 triggered a subcommittee investigation into the impact on energy policy of such mergers. The focal point of the inquiry was the widespread market perception that these and other recent energy-related mergers were not aberrations, but were part of an accelerating trend toward the acquisition of many of the so-called mid-sized or middle-tier oil companies by the oil giants, particularly those characterized as multinationals. As Chairman Moffett pointed out during hearings in this investigation; as many as half a dozen mid-sized oil companies were perceived to be on the merger auction block in late 1981.

At least two energy policy problems are raised by this continuing trend toward industry concentration. First, is the potential impact on prices and reliability of supplies for both intermediate and ultimate energy consumers. In the Marathon case in particular, a number of oil dealers and distributors strongly felt that Mobil would not be as likely to sell to independent dealers in the Middle West as Marathon had been. The merger of those two companies thus arguably threatened supply disruptions in a major section of the country. Moreover, mergers and growing concentration in the industry tends to increase the possibility of raising prices, at least in certain specialized markets where great market power can be achieved even when the overall energy industry remains comparatively decentralized and competitive.

The second major issue raised by these mergers in the context of 1981 was whether such mergers can be squared with the explicit Congressional mandates for increased energy exploration and production to reduce U.S. dependence on foreign oil. Again, the Marathon case demonstrated that Mobil and other oil companies were inclined to gain access to new reserves of energy not by increased capital investment in new exploration and development but by the purchase of existing proven reserves in the possession of other companies. The tax benefits extended in the 1981 tax bill and the moves toward further deregulation of the energy industry had been predicated, however, on the encouragement of increased capital investment by the oil companies in exploration and development of new domestic reserves and not on the acquisition of existing reserves.

The Subcommittee's investigation was continuing at the end of 1981. Preliminary conclusions of the investigation and hearing are that the Department of Energy has a very weak, understaffed program to address the issues and to carry out the statutory mandate of the Department of Energy Organization Act which created DOE. That Act calls for the Department to regularly consider the competitive impacts of its policies.

The subcommittee investigation to date also indicated that mergers and acquisitions may have considerable negative consequences on the supply reliability and price of energy sources without improving the Nation's reserve posture.

b. Benefits.—The Subcommittee investigation and hearing have resulted in a greater public and Congressional awareness of the extent of the merger trend and its possible negative consequences for national energy policy. Strongly bipartisan support emerged on the Subcommittee for an improved performance by DOE in this area and for legislation which guards against such mergers until their consequences are more fully understood. That support was a contributing factor in the adoption by the full House on December 14, 1981, of legislation intended to impose a moratorium on certain mergers in the energy field pending the study of their energy impact.

c. Hearings.—A hearing was held on November 19, 1981. That hearing has been printed.

19. The Effectiveness of the Nuclear Regulatory Commission's Enforcement Program in Deterring Unsafe Utility Practices.

a. Summary.—During the consideration of the 1980 authorization for the Nuclear Regulatory Commission for Fiscal Year 1980, the Congress addressed the apparent ineffectiveness of past NRC enforcement actions in deterring unsafe activities at nuclear power plants. Drawing on the experiences at the Three Mile Island plant and the Subcommittee's investigation into the Marble Hill construction site, Congress increased the maximum penalties for both civil and criminal violations of NRC regulations.

As past Subcommittee investigations into the inadequacies of the NRC inspection and enforcement program had indicated, however, the NRC has shown considerable reluctance to impose harsh sanctions on regulation violators. The NRC has never removed the operating license of a utility actively seeking to keep a reactor in use, for example. The typical NRC fine for failures to safety regulations—even those indicating a pattern of such failures—has been in the $40,000 to $100,000 range. Such fines are inconsequential in comparison to the billion-dollar-plus cost of nuclear plants or to the considerable expense of even short-term shutdowns frequently required to correct a deficiency and bring a nuclear site into comliance with safety regulations.

Several events in 1981 triggered a Subcommittee investigation into the adequacy of the NRC's enforcement sanctions since Congressional toughening of the available statutory punishments for safety violations. Foremost among them were developments in the Zimmer and the Diablo Canyon cases. Both of those sites had been investigated in the course of the Subcommittee's inquiry into alleged delay in nuclear construction caused by the NRC's licensing program. (See Section above.) However, certain events subsequent to the issuance of the Committee report on safety delays and licensing speedups raised new serious questions about the adequacy of the NRC's penalties for safety violations.

To explore that question, the Subcommittee invited the new chairman of the NRC, Munzio Palladino, to testify, along with any other commissioners wishing to do so. Mr. Palladino faced questioning from the Subcommittee Members on whether the NRC was fulfilling the new Congressional mandate to impose strong deterrent sanctions on utilities that violate safety regulations.

The Subcommittee specifically questioned whether the NRC's investigations at the Zimmer, Diablo Canyon, and other sites had adequately pursued the question of possible upper-level management knowledge of conditions at those sites which were the subject of NRC enforcement actions.

At the hearing, Chairman Palladino pledged his commitment to full investigation, and, where applicable, the use of criminal as well as substantial civil penalties to enforce adherence to NRC safety regulations. He also pledged specific Commission attention to a number of the questions raised by the Subcommittee about the adequacy of past NRC investigations.

b. Benefits.—The Subcommittee's investigation and initial hearing overseeing this aspect of the NRC's enforcement program helped to sensitize the commissioners and the new NRC chairman to inadequacies in the Commission's investigations into management involvement in safety violations and it made them aware of the concern among the Members over the NRC's apparent reluctance to impose the strong sanctions provided by law for safety violations.

c. Hearing.—A hearing was held on December 14, 1981. The transcript of that hearing has been printed.

20. Nuclear Safety Three Years After Three Mile Island.

a. Summary.—As a part of its ongoing oversight of the Nuclear Regulatory Commission's conduct of safety-related programs, the Subcommittee invited then-NRC Commissioner Peter Bradford to appear at a hearing at the time he completed his term as an NRC Commissioner, in March 1982. That hearing was held in conjunction with the House Interior Subcommittee on Oversight and Investigations.

The Subcommittees' March 12, 1982, hearing was a few days before the third anniversary of the Three Mile Island accident, by general agreement the most expensive and damaging accident in the history of the commerical nuclear power industry. The conjunction of that anniversary with Commissioner Bradford's departure from the Commission gave the Subcommittee an opportunity to look at the overall performance of the NRC during those three years and to draw certain conclusions as an oversight subcommittee.

Documents obtained from the NRC in the investigation leading to that hearing, and introduced into the record of that hearing, indicated that the public was being misled by public statements from the Administration and from private utilities about the overall future of nuclear power and the NRC's role in regulating the nuclear industry. Those documents disclosed that substantially fewer new nuclear reactors were ever likely to go on line in this country than the Administration claimed. The NRC staff documents suggested that as many as half the reactors projected by the Administration and the utilities as being built over the next decade will in fact be cancelled before completion. Those documents, and the testimony of Commissioner Bradford, suggested that the major administration push to increase the number of nuclear reactors on line in this country runs counter to free market reality in the energy marketplace. Utilities are in fact finding that nuclear power is unacceptably expensive and problematic.

Those findings suggest two conclusions. First, the expansive Administration effort to subsidize the nuclear industry is likely to produce little additional electrical capacity over the next few decades while expending substantial sums of taxpayer dollars. Second, the reluctance of utility executives to pursue the nuclear option must be addressed honestly if we are to make workable choices about alternative energy sources to meet future needs.

b. Benefits.—The Reagan Administration's continued subsidization of the nuclear power industry is likely to cost taxpayers considerable sums over the next few decades. While there is controversy over the exact cost of past federal subsidization of the nuclear industry, that cost certainly has been in the twenty to thirty billion dollar range. Continued support for an industry that no longer has the confidence of the private sector is not apt to provide a good return on investment. The findings of the subcommittee in this investigation also tended to underscore the previous findings that the NRC, under pressure from the Administration, has tended to allocate too many of its manpower resources to the promotion and acceleration of licensing of the nuclear industry and too little on the safety questions which are its mandate.

c. Hearings.—The joint hearings of March 12, 1982, have been printed.

21. An Investigation Into the Workability and Wisdom of Emergency Evacuation Plans for Nuclear Warfare: Oversight of the Federal Emergency Management Agency.

a. Summary.—Full Committee Chairman Jack Brooks requested that the Subcommittee undertake an investigation in the spring of 1982 into Reagan Administration plans for a massive relocation of the American people in the event of a nuclear attack. Chairman Brooks' Subcommittee on Legislation and National Security has jurisdiction over FEMA, the agency charged with implementing those plans. The Subcommittee on Environment, Energy and Natural Resources has had experience with evaluating evacuation plans, however, arising from its extensive investigations into and reports on the Nuclear Regulatory Commission's emergency planning for commercial nuclear powerplant accidents.

Chairman Brooks' concern was prompted by Reagan Administration statements suggesting that a major nuclear attack on the United States could be survived by a majority of the U.S. population if a program of "crisis relocation," or evacuation, were implemented. The Administration's budget proposals advocated the expenditure of some $4.2 billion over seven years to implement this "enhanced civil defense" program.

The gist of the Reagan Administration program was the proposition that fully two-thirds of the American people could effectively be evacuated, relocated in rural "host areas," fed and cared for during a nuclear attack, then returned to their home areas to resume their productive lives. The corollary of that proposal was that adequate emergency planning would make nuclear war survivable for some 80 percent of the U.S. population.

The Subcommittee investigation disclosed that those Administration positions were grossly inaccurate and unjustified. Extensive medical and other expert testimony suggested the following major conclusions.

(1) Massive evacuation plans of the sort contemplated by the Administration are not workable. Transportation realities in most major urban areas of the country would preclude such evacuations even in a time of calm. In a moment of crisis, such as the unparalleled apprehension of an anticipated nuclear attack, even ordinary transportation patterns could be expected to be disrupted and to fail.

(2) Even if the evacuation plans were workable, the host area concept is seriously flawed. At present, even the Administration would concede that the so-called host areas have little other than that designation to prepare them to host thousands of additional inhabitants for days, let alone weeks. No extra housing, medical, sanitary or other facilities exist in most cases to house any additional people in the rural areas designated as resettlement centers.

In fairness to the Administration proposal, a large proportion of the sums requested for the enhanced civil defense program would be spent to create those extra facilities. The consensus of the local officials and medical experts who presented testimony to the Subcommittee, however, is that the host area concept would remain unworkable even after the expenditure of enormous sums of money. Unless we are prepared to spend enough to create entire redundant systems of hospitals, sewage treatment and other facilities which would remain totally unused except in the case of nuclear war, the host areas cannot be made livable for the major urban populations to be relocated there under the Administration plan.

(3) Discussion of the crisis relocation concept is itself a risky action which may increase the prospects of a disastrous nuclear confrontation. Much like the situation in the early 1960's when fallout shelters were momentarily popular, the risk of the crisis relocation concept is that it encourages the civilian population to believe that nuclear war is survivable. The persistent and unanimous testimony of doctors and psychiatrists who appeared before the Subcommittee is that nuclear war is not survivable for more than a remnant of our current U.S. population. The mid- and long-term effects of radiation, of the destruction of food and water sources, and of the leveling of the physical and economic structures of our cities would simply prevent survival for all but a handful of individuals. Any official program which suggests otherwise misleads the public and contributes to popular acceptance of the notion that nuclear

war is, like other wars in U.S. history, something that the nation can and will survive.

b. Benefits.—Since the Subcommittee began its investigation, popular and Congressional opposition to the Administration's civil defense program has grown, resulting in the deletion of funds for its implementation from the fiscal 1983 appropriations bill. Some monies were appropriated, however, for continued planning and consideration of the crisis relocation concept. That Congressional action has for the moment therefore stopped a misguided program at a potential savings to the taxpayers of several billion dollars. Continued oversight will be necessary, however, to avoid future reversal of this action.

c. Hearings.—The Subcommittee hearing held April 22, 1982, has been printed.

II. Legislation

A. NEW MEASURES

LEGISLATION AND NATIONAL SECURITY SUBCOMMITTEE

1. H.R. 1526, the Federal Managers' Accountability Act of 1981, to amend the Accounting and Auditing Act of 1950 to require ongoing evaluations and reports on the adequacy of the systems of internal accounting and administrative control of each executive agency and for other purposes.

a. Report number and date.—Report No. 97-38, May 14, 1981.

b. Summary of measure.—As reported by the Government Operations Committee, H.R. 1526 would require the Comptroller General to prescribe standards for the internal accounting and administrative controls of each executive agency, including standards to insure the prompt resolution of all audit findings; would require the Director of the Office of Management and Budget to establish guidelines for agency use in evaluating such systems' compliance with the standards; would require agency heads to make such evaluations yearly and to prepare for the President and Congress a statement that their systems are in compliance or to prepare a report outlining material weaknesses and planned action and schedule for correcting such weaknesses; would require the Inspector General, where such exists, or the head of the internal audit staff to receive and process any allegation of false or misleading information given in connection with such evaluations and where reasonable belief exists, report such to the head of the agency, who is to take disciplinary or corrective action; would require the President to include with annual budget submission a report on actions taken on the original budget requests of Offices of Inspector General; would require agency heads to include with annual appropriations requests a report on the status and progress made in having that Agency's accounting systems comply with requirements of section 112 of the Budget and Accounting Act of 1950; and other purposes.

Subsequently, the House agreed to accept Senate amendments to H.R. 1526 which made the following changes: (1) deleted the section requiring work by the Inspector General, since such is already covered by existing statutes; (2) revised the section dealing with budget information to require the President to submit, with the supporting detail accompanying each Budget, information on amounts requested for the individual Offices of Inspector General; and (3) revised section 4 to require that the head of each executive agency submit an annual report to the Congress on whether the agency's accounting system conforms to the principles, standards and related requirements prescribed by the Comptroller General.

c. Legislative status.—H.R. 1526 passed the House of Representatives, with Committee amendment, under suspension, on May 18, 1981; passed the Senate, amended, August 4, 1982. House agreed to Senate amendment August 19, 1982. Approved by the President on September 8, 1982 (P.L. 97-255).

d. Hearings.—Hearing was held on March 11, 1981. The hearing record has been printed.

2. H.R. 2098, the Inspector General Act Amendments of 1981, to amend the Inspector General Act of 1978 to establish Offices of Inspector General in certain departments and agencies, and for other purposes.

a. Report number and date.—Report No. 97-40, May 14, 1981.

b. Summary of measure.—H.R. 2098, as introduced, would amend the Inspector General Act of 1978, P.L. 95-452, by including the Departments of Defense, Treasury, Justice and the Agency for International Development and transferring to such Offices of Inspector General thus established certain listed, already-existent offices of audit and inspection within the named departments and agency; by including additional special provisions which (1) would assure that the person appointed Inspector General in the Department of Defense is a civilian; (2) would exempt the Inspector General of the Department of Defense from the "Posse Comitatus Act" to make clear that there is no prohibition against military personnel assisting the Inspector General in the performance of auditing or investigative work; (3) would provide authority for the Inspector General of the Agency for International Development at the request of the Director of the International Development Cooperation Agency to supervise, direct and control all audit, investigative, and security activities of IDCA or any of its components; by adding new language to assure the protection of confidential information and to emphasize that nothing in this legislation is intended to authorize or permit the withholding of any information from Congress; and (4) would amend Section 5315 of title 5, United States Code by adding a listing of all statutorily-established Inspectors General, all those previously established and those which would be established by this legislation, thereby authorizing all Inspectors General to be paid at the rate established for Executive Level IV.

c. Legislative status.—H.R. 2098 passed the House of Representatives, with an amendment, under suspension (vote: 334-65), on May 19, 1981, and was referred to the Senate, where it is pending in the Committee on Governmental Affairs.

d. Hearings.—Hearing was held on April 8, 1981. The hearing record has been printed.

3. H.R. 3519, to authorize appropriations for fiscal year 1982 for the Armed Forces for procurement, for research, development, test, and evaluation, and for operation and maintenance, to prescribe personnel strengths for such fiscal year for the Armed Forces and for civilian employees of the Department of Defense, to authorize appropriations for such fiscal year for civil defense, and for other purposes; together with dissenting views.

a. Report number and date.—Report No. 97-71, Part 3, June 12, 1981.

b. Summary of measure.—H.R. 3519 contains specific dollar amounts for appropriations for fiscal year 1982 for the Armed Forces for procurement, for research, development, test, and evaluation, and for operation and maintenance, and prescribes specific personnel strength figures for such fiscal year for the Armed Forces and for civilian employees of the Department of Defense, and authorizes appropriations for such fiscal year for civil defense, and for other purposes. H.R. 3519 was sequentially referred to the Committee on Government Operations by the Speaker for consideration of such provisions of the bill which relate to Federal procurement, which fall within the jurisdiction of the committee. The committee made a detailed study of those provisions which affect procurement policy for the Department of Defense and for the Government as a whole.

Amendments which passed the Committee on Government Operations but failed in final passage on the floor of the House would have deleted Section 304, which prohibits the use of funds for the contracting out of an entire medical facility; would have deleted Section 602, which places restrictions on the contracting out of commercial and industrial-type functions by the Department of Defense and military commanders; would have deleted Section 901, which permits the Department of Defense to procure research by grant instruments in cases where contracts would be required under current law; would have deleted Section 903, which increases the dollar threshold for certain defense contract regulations; would have amended Section 909 which authorizes the Department of Defense to undertake a selective program of multi-year procurements; and would have added new language which would have required the procurement of automatic data processing equipment or services by or for the use of the Department of Defense to be made in accordance with the Federal Property and Administrative Services Act of 1949, 40 U.S.C. 759 (P.L. 89-306). This direction is in accordance with a longtime policy of this committee calling for competition in such procurements.

c. Legislative status.—H.R. 3519 was passed by the House of Representatives, amended, July 16, 1981. Passage was vacated, and S. 815 was passed in lieu of H.R. 3519, after being amended to contain the language of the House bill just passed. Conference Report (H. Rept. 97-311) was filed November 3, 1981, and was agreed to by the House and the Senate. S. 815 became P.L. 97-86 upon the signature of the President on December 1, 1981.

d. Hearings.—Hearing was held on June 3, 1981. The hearing record has been printed.

4. H.R. 3943, to amend the Federal Grant and Cooperative Agreement Act to eliminate the expiration date on the authority of the OMB to grant exemptions from provisions of the Act to certain programs or transactions.

a. Report number and date.—Report No. 97-450, March 8, 1982.

b. Summary of measure.—H.R. 3943 would amend the Federal Grant and Cooperative Agreement Act to eliminate the expiration date on the authority of the OMB to grant exemptions from provisions of the act to certain programs or transactions. The authority expired February 1981 resulting in some confusion as to the status of programs and transactions previously granted exceptions. Eliminating the sunset provision results in extending the authority of the Director of OMB to grant exceptions without imposing a time limitation on such authority.

c. Legislative status.—H.R. 3943 was passed by the House of Representatives, under Suspension of the Rules, March 23, 1982. Passage was vacated, and S. 892 was passed in lieu of H.R. 3943, March 23, 1982. S. 892 became P.L. 97-162 on approval by the President April 1, 1982.

d. Hearing.—Hearing was held on October 28, 1981. The hearing record will be printed.

5. H.R. 2528, to amend the Economy Act to provide that all departments and agencies may obtain materials or services from other agencies by contract, and for other purposes.

a. Report number and date.—Report No. 97-456, March 11, 1982.

b. Summary of meassure.—H.R. 2528 would amend the Economy Act of 1932 to authorize all agencies of the Federal Government to obtain goods and services by contract in order to fulfill requisitions placed with them by any other agency in the Federal Government.

c. Legislative status.—H.R. 2528 was passed by the House of Representatives, under Suspension of the Rules, on March 23, 1982; passed the Senate October 1, 1982, and was approved by the President October 15, 1982. Public Law 97-332.

d. Hearings.—Hearing was held on October 28, 1981. The hearing record will be printed.

6. H.R. 4709, the Prompt Payment Act, to require the Federal Government to pay interest on overdue payments, and for other purposes.

a. Report number and date.—Report No. 97-461, March 18, 1982.

b. Summary of measure.—H.R. 4709, the Prompt Payment Act, would require every Federal agency to pay an interest penalty on amounts owed to business concerns for the acquisition of property or services when the agency does not pay on time. Unless the required payment date is stipulated in the contract, this would mean paying most proper invoices within 30 days of receipt or acceptance of the goods or services, whichever is later, to avoid the payment of interest penalties. In the case of meat and produce, it would mean paying within 7 days after delivery for meat and 10 days after delivery for produce.

c. Legislative status.—H.R. 4709 was passed by the House of Representatives, under Suspension of the Rules, on March 23, 1982. Subsequently these proceedings were vacated and on March 23, 1982, S. 1131 was passed in lieu of H.R. 4709 after being amended to substitute the language of the House bill just passed. Senate agreed to the House amendments May 11, 1982, and the bill as amended by the House became P.L. 91-177 upon approval by the President on May 21, 1982.

d. Hearings.—Hearings were held on December 2, 1981, and January 26, 1982. The hearing record has been printed.

H.R. 6005, the Congressional Reports Elimination Act of 1982, to discontinue or amend certain requirements for agency reports to Congress.

a. Report number and date.—Report No. 97-804, September 14, 1982.

b. Summary of measure.—H.R. 6005 was introduced at the request of the Office of Management and Budget. As originally introduced, it was a compilation of approximately 200 reports which departments and agencies in the executive branch had recommended for elimination or modification. The deletion by the Government Operations Committee of a number of provisions is the result of recommendations received from committees of the House of Representatives. Provisions were deleted because committees indicated the reports are either still useful and pertinent in overseeing Government programs and activities or they contain substantive material which should be the subject of in-depth hearings by the relevant committees prior to any change in the law.

As reported by the House Committee on Government Operations, H.R. 6005 would have eliminated, consolidated, simplified, or reduced some 77 recurring congressionally-mandated reporting requirements. It was further amended, prior to passage by the House, to delete 6 additional reports from the bill.

c. Legislative status.—H.R. 6005 was passed by the House of Representatives September 20, 1982, under Suspension of the Rules. The bill has been referred the the Senate Committee on Governmental Affairs where it is currently pending.

d. Hearings.—Hearing was held on July 29, 1982. The hearing record has been printed.

8. H.R. 7096, the Consolidated Federal Funds Report Act of 1982, to require the Director of the Office of Management and Budget to prepare an annual report consolidating the available data on the geographic distribution of Federal funds, and for other purposes.

a. Report number and date.—Report No. 97-878, September 28, 1982.

b. Summary of measure.—H.R. 7096, the Consolidated Federal Funds Report Act of 1982, would require the Office of Management and Budget (OMB) to compile information detailing the amounts of Federal funds expended in each state, county, congressional district, and municipality. This information is to be drawn from four available sources:

(1) The Federal Assistance Awards Data System (OMB),
(2) The Federal Procurement Data System (OFPP),
(3) Office of Personnel Management data files (OPM), and
(4) Records of the Office of the Secretary of Defense (DOD).

The Consolidated Federal Funds Report (CFFR) would detail amounts expended in categories, such as grants, cooperative agreements, loans, salaries, pensions, procurements, and similar disbursements for fiscal years 1983, 1984, and 1985. It would report Federal expenditures by appropriate summary categories, for each state, county, congressional district, and city of any size. Accuracy would be maximized by using data on actual transactions. The

CFFR would capture approximately 85 percent of Federal disbursements.

Since the CFFR would not be operational until 1983, H.R. 7096 would provide for the preservation of comparable information readily available from departments and agencies covering expenditures for fiscal year 1981 and fiscal year 1982 but would not result in published reports for these years.

c. Legislative status.—H.R. 7096 was passed by the House of Representatives September 28, 1982. Subsequently, on September 28, 1982, these proceedings were vacated and S. 2386 was passed in lieu of H.R. 7096 after first being amended to substitute the language of H.R. 7096 for the language of the Senate bill. Senate agreed to House amendment October 1, 1982, and the President approved it on October 15, 1982 (Public Law 97-326).

d. Hearings.—Hearing was held on September 21, 1982. The hearing record has been printed.

9. H.R. 3270, the Reorganization Act of 1981, to extend and amend the authority of the President to reorganize the executive branch of the Government under chapter 9 of title 5, United States Code.

a. Report number and date.—None to date.

b. Summary of measure.—H.R. 3270 would amend the authority of the President to reorganize the executive branch of the Government and extend that authority for another 2 years. (The current authority expired April 6, 1981.) This bill would clarify the President's reorganization authority by specifically prohibiting the renaming of executive departments in a reorganization plan and prohibiting the creation of new agencies outside an existing department or an existing independent agency.

Other changes would include a requirement that draft executive orders or presidential directives be submitted along with the message accompanying a reorganization plan and that the Congress have a longer time for consideration of the reorganization plan (a total of 90 days). Also the method of approval for reorganization plans would become an affirmative one.

c. Legislative status.—H.R. 3270 is pending further hearings in the Legislation and National Security Subcommittee of the Government Operations Committee.

d. Hearings.—Hearing was held on October 28, 1981. The hearing record will be printed.

INTERGOVERNMENTAL RELATIONS AND HUMAN RESOURCES SUBCOMMITTEE

1. H.R. 7173, To make certain changes in the membership and operations of the Advisory Commission on Intergovernmental Relations.

a. Report number and date.—Report No. 97-879, September 28, 1982.

b. Summary of measure.—H.R. 7173 is a clean bill approved by the subcommittee in lieu of H.R. 2016 and H.R. 5192, on which hearings were held. H.R. 7173 would add three new members to the 26-member Advisory Commission on Intergovernmental Relations, including one judge of a United States Court of Appeals or District Court, one State chief justice or judge of a State Court of last resort, and one elected local school board member. In addition, one of the four seats now designated for municipal representatives would be filled by an elected official of a town or other general purpose local government with a population of less than 10,000. These changes in the membership of the commission are the first alterations in its makeup reported by the Committee on Government Operations since Public Law 86-380 was enacted in 1959. They are intended to insure that the Commission remains a body broadly representative of all major governmental units that are either affected by or have a major impact on the federal system.

c. Legislative status.—H.R. 7173 was approved by the committee, by a voice vote, on September 28, 1982, and passed by the House the same day under unanimous consent. No action was taken in the Senate.

d. Hearings. A hearing was held on April 21, 1982. The hearing transcript has been printed.

2. H.R. 324, To provide for payments in lieu of real property taxes, with respect to certain real property owned by the Federal Government.

a. Report number and date.—None.

b. Summary of measure.—H.R. 324 and a number of similar bills on which the subcommittee held hearings would require the Federal Government to make payments in lieu of taxes [PILOT] to compensate State and local governments for the taxes they are prohibited from collecting on federally-owned property (and in some cases, property owned by foreign governments) located within their borders.

The Federal Government currently owns over 775 million acres—more than one-third of the United States land area—as well as thousands of buildings and other facilities, ranging from post offices to military bases. Nearly all of these property holdings are exempt from State and local property taxes.

Since the Federal Government presently operates approximately 50 programs that make various types of payments in lieu of taxes to State and local governments, the subcommittee hearings were designed to examine the feasibility of consolidating these separate programs into a comprehensive and more equitable PILOT program.

c. Legislative status.—Hearings were held, but no legislative action was taken.

d. Hearings.—Hearings were held on October 14, 20, and 27, 1981. The hearing transcripts have been printed.

3. H.R. 4133, To provide for improved financial management and audit of Federal assistance programs.

a. Report number and date.—None.

b. Summary of measure.—H.R. 4133 and H.R. 4835, a similar bill, would provide a statutory basis for the single audit process which is currently prescribed by the Office of Management and Budget in Attachment P of Circular A-102. Attachment P was issued by OMB in October 1979 for the purpose of encouraging use of a single organizationwide audit in place of the grant-by-grant approach which has traditionally been used to audit Federal grant programs. Attachment P requires each State and local government receiving Federal assistance to provide for a single organizationwide financial and compliance audit of its operations at least once every 2 years. The subcommittee found that considerable progress has been made in developing the basic administrative procedures and guidance documents for implementing Attachment P, but relatively few single audits have actually been completed and many problems currently hamper widespread adoption of this method. In light of the many important issues yet to be resolved, the subcommittee concluded that further experience with Attachment P is desirable before Congress enacts single audit legislation.

c. Legislative status.—Although no legislative action was taken, the committee issued an investigative report on its findings and recommendations. This report, House Report No. 97-917, is entitled, "Improving the Financial Management and Auditing of Federal Assistance Programs: The 'Single Audit' Concept."

d. Hearings.—Hearings were held on March 31 and April 1, 1982. The hearing transcripts have been printed.

COMMERCE, CONSUMER, AND MONETARY AFFAIRS SUBCOMMITTEE

H. Res. 433, To authorize the disclosure of summaries of substantial portions of certain classified documents relating to foreign investment in the United States.

a. Report number and date.—None.

b. Summary of measure.—This measure would authorize the Commerce, Consumer, and Monetary Affairs Subcommittee to release 17 CIA documents, with appropriate deletions to protect intelligence sources. (A July 12, 1979, agreement between the subcommittee and the CIA requires the approval by the House of Representatives if both the CIA and the President object to the release of CIA documents; the President so objected on February 17, 1982.)

In general, the documents deal with OPEC country surplus funds and investments around the world. The following subjects are covered: (1) problems with recycling OPEC country surpluses to LDCs; (2) OPEC governments' unwillingness to resolve these problems; (3) OPEC country investment strategies and trends in the United States and worldwide; (4) placement of OPEC surpluses generally and problems with it; and (5) the impact of OPEC investments on U.S. national interests.

c. Legislative status.—The subcommittee reported H. Res. 433 to the full committee on May 6, 1982. No further legislative action was taken pending further discussions with the CIA.

d. Hearings.—The subcommittee met on April 29, 1981, and May 6, 1982. The transcripts of these meetings have not been printed but are available at the subcommittee office. (A part of the May 6 meeting was held in executive session, and a portion of that transcript is not available for public review.)

GOVERNMENT ACTIVITIES AND TRANSPORTATION SUBCOMMITTEE

1. H.R. 2580, Federal Property and Administrative Services Act Amendments of 1981.

a. Report number and date.—None

b. Summary of measure.—H.R. 2580 would amend the Federal Property and Administrative Services Act of 1949 to provide administrative remedies and reforms for abuse and waste in Federal procurement. The Federal Property and Administrative Services Act is the basic statute that created the General Services Administration (GSA) and authorizes central purchasing for the Government by the agency. The bill contains four amendments to that Act which would:

(1) Provide GSA with administrative remedies and enforcement powers for contract abuse that the agency itself can use to make the Government whole rather than having to defer to the Justice Department;

(2) Require new GSA procurement regulations to mandate better recordkeeping, management, and accountability for contracting;

(3) Set goals for minimum levels of contract audits;

(4) Provide specific congressional oversight of GSA's alterations to leased buildings.

c. Legislative status.—Pending before the subcommittee.

d. Hearings.—Hearings were held on September 14 and 15, 1981. The hearings are printed.

2. H.R. 4450, To Amend the Federal Property and Administrative Services Act of 1949 to permit the disposal of surplus property to State and local governments for correctional facility use.

a. Report number and date.—None

b. Summary of measure.—This bill is related to H.R. 6028, H.R. 6207, H.R. 6302, and S. 1422. Except for legislative format and functional assignments to GSA and the Department of Justice, the bills have the same purpose: To provide for nonreimbursable transfers of surplus real and related personal property to State and local governments for use as correctional facilities. The principal objective of the measures is to relieve prison overcrowding. In essence, the Justice Department, on finding certain surplus property suitable, would recommend to GSA that it be transferred. GSA, at its discretion, would convey it, in effect, free, but subject to a condition of perpetual use for that purpose. Such authority would supplement existing statutory authority that permits public-benefit discount transfers for educational, public health, recreation, conservation, historic monument, and airport purposes.

The legislation stems from a recommendation in an August 17, 1981, report of the Attorney General's Task Force of Violent Crime.

H.R. 4450, as well as the Senate-passed S. 1422, would place the added authority in a new and separate section of the Federal Property Act. Later House bills placed the new authority in the same section of the Act where other authority for public purpose donations is found. One reason for that change was to avoid an implied Congressional priority for correctional facility use over other public purpose uses already authorized in the Act. It is the current policy of the present Administration to curtail sharply the number of public purpose transfers at no cost under existing law, in order to make more property available for revenue-producing sales (cf. Executive Order 12348, February 25, 1982). Administration support of H.R. 4450 represented an exception to that policy.

c. Legislative status.—The measure is pending before the subcommittee. The Senate passed S. 1422 on May 26, 1982. In addition, the Senate, on September 30, 1982, amended and passed H.R. 3963, as the Violent Crime and Drug Enforcement Improvement Act of 1982. In doing so, it included in Title VI ("Surplus Federal Property Amendments") the text of S. 1422.

d. Hearings.—A hearing was held April 21, 1982, at which Members of the House and Senate, Federal agency officials, State government officials, and public witnesses testified. The hearing is printed.

3. H.R. 1856, To authorize the Administrator of General Services to donate to State and local governments certain Federal personal property loaned to them for civil defense use.

a. Report number and date.—House Report 97-910, Part I, dated September 30, 1982.

b. Summary of measure.—The bill would enable the Federal Emergency Management Agency (FEMA) to close out a property loan program it assumed in 1979 from the former Defense Civil Preparedness Agency, which it initiated when it was a component of the Department of Defense. The bill provides that when FEMA's Director should certify that a property item was continuing in use for the civil defense-related purpose for which it was originally loaned, the Administrator would be required to transfer the property to the existing borrower. The current inventory approximates 30,000 items on loans (fire trucks, snowplows, generators, communications equipment, etc.), all of which originally cost about $162 million. A somewhat similar approach was taken by Congress in section 5 of P.L. 94-519, under which personal property loans to Federal grantees were authorized to be closed out by transfer of the item to the using grantee. FEMA neither has nor seeks authority to obtain unneeded DOD property in order to loan it to State and local governments for civil defense purposes.

c. Legislative status.—Cleared by the House and Senate as S. 1444, with technical amendment, on December 13, 1982.

d. Hearings.—None. Hearings were held by a subcommittee of the House Committee on Armed Services on February 26 and 27, 1981.

4. H. Res. 265, Relating to the management of United States Assets.

a. Report number and date.—None.

b. Summary of measure.—It begins with recitals on the size of the national debt and the need to reduce it through sale of surplus properties once identified and liquidated. It would call on the President to direct executive agencies to inventory their assets and identify those that are excess to their needs. It would call for Presidential recommendations for legislative and administrative revisions to liquidate surplus assets. It would call for receipts from property sales to be used to reduce the national debt. It would call for GAO recommendations to improve the process for managing Federal assets. It is identical to S. Res. 231.

c. Legislative status.—Pending before the subcommittee.

d. Hearings.—The measure was considered as part of the subcommittee hearing on April 27, 1982, to examine the current Administration's sweeping property management initiative to speed sale of unneeded Federal lands. (See under the subcommittee's portion of I.B.)

5. H.R. 7212, To amend section 204 of the Federal Property and Administrative Services Act of 1949 to authorize the deposits of cash proceeds from the sale of surplus real property into the general fund of the Treasury to be used to retire the national debt of the United States.

a. Report number and date.—None.

b. Summary of measure.—The measure was referred jointly to this committee and to the Committee on Interior and Insular Affairs. Styled the "National Debt Retirement Act," it would place in the Treasury for the exclusive purpose of retiring the national debt all proceeds from the sale of surplus property. Under existing law (40 U.S.C. 485(a)) all such proceeds would go into miscellaneous receipts except for 16 U.S.C. 460 1-5(a), which provides that all proceeds from the sale of surplus real property shall be paid into the Land and Water Conservation Fund. Balances in the fund are to be appropriated for assisting States and the Federal Government to acquire and develop land and water areas for recreational use. Moneys in the fund not subsequently authorized for expenditure within two years of their deposit are transferred to miscellaneous receipts. The measure was recommended by the President by letter to the Speaker dated September 22, 1982, (Executive Communication No. 4823). The letter pointed out that other receipts would still keep the fund at its annual income level of $900 million.

On November 10, 1982, the subcommittee wrote to OMB Director Stockman and Treasury Secretary Regan for response to the interpretation of the actual nature of the fund that its proceeds are, in fact, in miscellaneous receipts, where they are fungible with other moneys and that the fund is not a trust fund but a receipt account. In such event, it would appear that the bill would make no substantive change in law with respect to the deficit or the national debt.

c. Legislative status.—Pending before the subcommittee.

d. Hearings.—None.

GOVERNMENT INFORMATION AND INDIVIDUAL RIGHTS SUBCOMMITTEE

1. H.R. 2811, To amend the Privacy Act of 1974 to increase the efficiency of Government-wide efforts to collect debts owed the United States, to require the reporting to Congress of information on debts owed the United States, and for other purposes (The Debt Collection Act of 1981).

a. Report number and date.—House Report No. 97-42, May 14, 1981.

b. Summary of measure.—The major purpose of H.R. 2811 is to facilitate the reporting by federal agencies of information about delinquent agency debtors to credit bureaus. The bill amends the Privacy Act of 1974 to provide that a consumer reporting agency in accordance with specified procedures shall not be deemed to be accomplishing an agency function. The effect of this is to clarify that the Privacy Act is not applicable to credit reporting agencies receiving such information. The bill also permits disclosure of an individual's credit record by one Federal lending agency to another. In addition, the bill amends the Budget and Accounting Act, 1921, to require that the annual budget of the President include information about the amount of debt outstanding under major debt programs. Finally, H.R. 2811 requires each agency Inspector General to conduct a review of each program on which there is outstanding at the end of the fiscal year more than $100 million in debt.

c. Legislative status.—On April 28, 1981, the subcommittee reported the measure to the full committee. On May 14, 1981, the full committee reported the bill with an amendment in the nature of a substitute. On May 18, 1981, H.R. 2811 passed the House under suspension of the rules. The main provisions of H.R. 2811 were included in H.R. 4613 and signed into law on October 25, 1982 (P.L. 97-365).

d. Hearing.—A hearing was held on April 27, 1981, and the transcript has been printed.

2. H.R. 316, To provide that a Federal agency may not require that any person maintain records for a period in excess of four years, and a Federal agency may not commence an action for enforcement of a law or regulation or for collection of a civil fine after four years from the date of the act which is the subject of the enforcement action or fine, and for other purposes (the Limitation on Government Recording Requirements and Actions Act of 1981).

a. Report number and date.—None.

b. Summary of measure.—H.R. 316 is a bill to provide a statute of limitations on privately held records maintained as required by Federal agencies. Specifically, the bill provides that (1) an agency may not require, or enforce any law or regulation that requires that an individual maintain, prepare, or produce any record (other than those related to dangerous material) after four years; (2) an agency may not commence an action, suit, or proceeding against any person for enforcement of a law or regulation or for collection of any civil fine, penalty, or forfeiture after four years from the date of the act or failure to act which is the subject of the action. In addition to matters related to dangerous materials, requirements related to the Internal Revenue Code of 1954 or its regulations would be exempt from the provisions of H.R. 316.

c. Legislative status.—Public hearings were held in December. No action was taken on the bill, but action by the Office of Management and Budget may improve administrative limitations similar to those proposed by H.R. 316.

d. Hearings.—Hearings were held on December 8 and 9, 1981 and have been printed.

3. H.R. 2590, To amend the Privacy Act of 1974 to impose additional restrictions on the maintenance and disclosure of mailing lists by Government agencies.

a. Report number and date.—House Report No. 97-147 (Part I), June 16, 1981.

b. Summary of measure.—H.R. 2590 prohibits Federal agencies and establishments subject to the provisions of the Privacy Act of 1974, 5 U.S.C. 552a, from converting to and using the nine-digit ZIP Codes proposed by the U.S. Postal Service. This purpose is achieved through an amendment to section (n) of the Act. The amendment provides that those subject to the Act may not disclose as part of an address any ZIP Code longer than five digits. Inasmuch as the U.S. Postal Service is subject to the Act, it too would be prohibited from disclosing the longer codes in any address-specific way.

The Privacy Act limits the collection of information to that which is necessary and useful for a lawful purpose. H.R. 2590 prohibits the use (or disclosure) of ZIP Codes that exceed five digits. Therefore, any systematic effort to collect (or convert) address or other files to a nine-digit ZIP Code format would violate the Privacy Act limitation.

c. Legislative status.—On June 16, 1981, H.R. 2590 was sequentially referred to the Committee on Post Office and Civil Service. On July 23, 1981, Chairman Ford of that Committee wrote Chairman Brooks advising him that the House-Senate conference committee had agreed to delay implementation of the 9-digit ZIP Code proposal and requested that H.R. 2590 be withdrawn from further consideration.

d. Hearings.—Hearings were held September 17, 1980 and March 26, 1981, and have been printed.

4. H.R. 2979, To extend the authorization of appropriation for the National Historical Publications and Records Commission for fiscal years 1982 and 1983.

a. Report number and date.—House Report No. 97-39, May 14, 1981.

b. Summary of measure.—H.R. 2979 authorized the appropriation of $3 million for each of the fiscal years 1982 and 1983 to the General Services Administration for the National Historical Publications and Records Commission.

c. Legislative status.—On April 28, 1981, the subcommittee reported the measure to the full committee. On May 7, 1981, the full committee reported the bill favorably without amendment. H.R. 2979 was defeated by the House under suspension of the rules on May 19, 1981. Following passage by the Senate on June 2 of a companion bill (S. 1050), a 1-hour open rule was granted for H.R. 2979. The bill was withdrawn from further consideration following the approval by the House on July 27, 1981, of H.R. 4121, which included a $1 million appropriation for the NHPRC.

d. Hearings.—A hearing was held on April 27, 1981. The transcript has been printed.

5. H.R. 1957, The International Communications Reorganization Act of 1981.

a. Report number of date.—House Report No. 97-100, May 19, 1981.

b. Summary of measure.—H.R. 1957 is the product of a two-year long process, begun in the 96th Congress, which seeks to ensure that the executive branch is properly organized to develop policy and represent U.S. interests in response to emerging barriers to the international flow of information.

Three years ago, the Government Information and Individual Rights Subcommittee initiated an investigation of the development of policy and the representation of U.S. interests in international telecommunications and information matters. The results of that investigation were presented in a report issued December 1980, "International Information Flow: Forging a New Framework," H. Rept. 96-1535. The Committee concluded that the United States was faced with the loss of its current world-wide leadership in providing telecommunications goods and services, and was threatened by a wide range of barriers to the international flow of information.

The barriers to international information flow continue to grow and have a significant impact on both our economy and fundamental freedoms. It is essential that the U.S. government be able to respond effectively. Unfortunately, the Committee found that effective coordination within the executive branch or between government and the private sector does not exist.

The United States Government simply has not done the job. Although we spend millions in total on the development and implementation of international communications and information policy, we get little return on the investment. Responsibilities are fragmented, authorities conflicting and fragile, and control of resources divided in too many places. The sum of all this is that the United States Government has yet to undertake the planning, setting of priorities, development of policy and real coordination of effort that is necessary to effectively represent American interests.

H.R. 1957 addresses these problems. Based on the March and April, 1981, hearings, as well as the recommendations of last Congress' Committee report, the bill creates an interagency committee with effective authority to set policy and oversee government activity. The committee is not a permanent organization. While the U.S. Government urgently needs a strong mechanism to develop policy, it is uncertain what permanent organization, if any, may be best.

c. Legislative status.—H.R. 1957 was approved and reported, with amendments by the Committee on Government Operations on May 12, 1981. It was sequentially referred to the Committee on Foreign Affairs on May 19, 1981, for a period ending July 16, on which date the Committee on Foreign Affairs reported the bill adversely. The bill was placed on the Union Calendar awaiting action by the full House.

d. Hearings.—Hearings were held on March 31 and April 2, 1981. The hearings have been printed.

B. REVIEW OF LAWS WITHIN COMMITTEE'S JURISDICTION

LEGISLATION AND NATIONAL SECURITY SUBCOMMITTEE

1. Executive Reorganization Authority—5 U.S.C. 901-912.

This act provides the basic authority for the President to prepare and submit to Congress for its approval or disapproval reorganization plans involving the executive branch of the Government. This basic authority expired April 6, 1981. In view of such expiration, the subcommittee is engaged in an extensive review of the President's reorganization authority, now expired, as set out in Chapter 9, title 5 of the United States Code. In connection with this review, the subcommittee held a hearing on October 28, 1981, on legislation (H.R. 3270) which if enacted would extend and amend the authority of the President to reorganize the executive branch of the Government.

H.R. 3270 would amend Section 905(b) of title 5, United States Code by extending for 2 years after the date of enactment of this act, the authority of the President to reorganize the executive branch of the Government under Chapter 9 of title 5, United States Code; by providing a lengthened time period for congressional consideration of plans for such reorganizations; by requiring drafts of any required executive order, presidential directive, or other administrative action and further background or other information to be submitted to Congress with the President's message concerning the reorganization plan for consideration during Congress' review of the reorganization plan; and by limiting such authority by not allowing by reorganization plan the renaming of an existing executive department or the creating of a new agency which is not a component or part of an existing executive department or independent agency; and by changing the manner of congressional approval of such plans.

2. The Federal Grant and Cooperative Agreement Act—41 U.S.C. 501 note.

This act was passed by the Congress in 1977 in order to impose consistent discipline on Government agencies in their selection and use of contract, grant and cooperative agreement instruments. The act designates the circumstances under which such instruments are to be used, and provided a limited period of time (now expired) in which the Director of the Office of Management and Budget had authority to exempt programs and transactions from the act's other provisions.

The subcommittee conducted a review of the implementation of this act. In connection therewith, the subcommittee held a hearing on October 28, 1981, on a bill (H.R. 3943) which would amend Section 10(d) of the Federal Grant and Cooperative Agreement Act of 1977 (P.L. 95-224; 41 U.S.C. 501 Note) by striking out the expiration date of the authority of the Office of Management and Budget to exempt certain programs or transactions from other provisions of the act. An identical bill, S. 892, was approved by the President April 1, 1982 (P.L. 97-162).

3. Section 7(a) of the Economy Act of 1932—31 U.S.C. 686(a).

This section of the Economy Act authorizes Government agencies to contract with each other for goods or services which the other may be in a position to supply or equipped to render. Other agencies were initially authorized to fulfill only the orders placed by 5 designated agencies by contracting for goods and services.

The subcommittee conducted a review of this section with a view to determining whether additional economies could be realized if all Federal agencies were given the authority to requisition other agencies for goods or services which the other could obtain by contract. In connection therewith, the subcommittee held a hearing on October 28, 1981, on H.R. 2528, which was subsequently approved by the President October 15, 1982 (P.L. 97-332). This act amends the Economy Act to authorize all Federal agencies to contract with outside parties to satisfy requirements of orders placed by all other Federal agencies.

4. Federal Property and Administrative Services Act of 1949, as amended—40 U.S.C. 471, et seq.

This law provides for the Government an economical and efficient system for the procurement and supply of personal property and nonpersonal services, including related functions—contracting, inspection, storage, etc.; the utilization of available property; the disposal of surplus property; and records management. Section 203(e)(6) received comprehensive review during the subcommittee's oversight activities, including review of Department of the Air Force leasing of heavy industrial equipment to private enterprises (See I.B.10.).

Section 111 (40 U.S.C. 759, P.L. 89-306) provides for the economic and efficient purchase, lease, maintenance, operation and utilization of automatic data. It was reviewed extensively during the subcommittee's inquiry into the viability of the Social Security Administration's computer systems (See I.A.12.), and of the Army's automated facilities engineer cost accounting system (See I.B.8.).

5. Sections 2301-2314 of the Act of August 10, 1956—10 U.S.C. 2301-2314.

These sections of title 10 of the United States Code deal with procurement generally in the Armed Forces. They received comprehensive review during the subcommittee's oversight and legislative activities, including:

Review of Military Contracting Officers' Use of Questioned Labor Rate Increases (See I.B.9.);

Review of DOD Efforts to Prevent Reimbursement of Contractor Lobbying Expenses (See I.B.10.);

Review of Proposal for a Uniform Procurement System (See I.B.11.);

Review of Naval Procurement of Submarine Components (See I.B.12.);

Review of Navy's High Frequency Improvement Program (See I.B.13.); and

Hearings on H.R. 3519, to authorize appropriations for fiscal year 1982 for the Armed Forces for procurement, for research, development, test, and evaluation, and for operation and maintenance, to prescribe personnel strengths for such fiscal year for the Armed Forces and for civilian employees of the Department of Defense, to authorize appropriations for such fiscal year for civil defense, and for other purposes (See II.A.3.).

6. Budget and Accounting Act of 1921, as amended (31 U.S.C. 41, et seq.).

Title II of this act provides for a national budget system. The subcommittee reviewed this law during its study of the effect of inaccurate inflation projections on the DOD budget (See I.A.3.).

Title II of this act provides the basic duties and powers of the Comptroller General of the United States and the General Accounting Office which he heads. This title came under scrutiny during the subcommittee's review of the operations of the General Accounting Office (See I.B.5.).

7. Accounting and Auditing Act of 1950, as amended (31 U.S.C. 67) 64 Stat. 832.

This statute requires agency heads to establish effective control over the accountability of all funds, property and other assets, including internal audit, economy and efficiency, and program effectiveness. The subcommittee engaged in a comprehensive review of this statute during activities which included inquiry into the need to assure the adequacy of systems of internal accounting and administrative controls and the lack of progress of GAO approval of agencies' accounting systems (See II.A.I.); review of agencies' progress in implementing new guidelines for their audit followup and resolution systems (See I.A.4.); review of agencies' collection procedures for disallowing costs (See I.A.9.); and review of unvouchered expenditures at the Department of State (See I.B.15.).

Section 103, providing for Government statistical activities, was reviewed during hearings on the Consolidated Federal Funds Report Act (H.R. 7096) (See II.A.8.).

8. Paperwork Reduction Act of 1980 (44 U.S.C. 35, et seq.) (Public Law 96-511) (94 Stat. 2813).

This legislation established an Office of Information and Regulatory Affairs within OMB to provide overall direction for the Government's information policies, standards and guidelines. A comprehensive review of the implementation of this act revealed that OMB has failed to fulfill its responsibilities under the law. (See I.B.4.).

9. Reorganization Plan No. 3 of 1978 (Federal Emergency Management Agency).

This Reorganization Plan consolidated emergency preparedness, mitigation and response activities. This plan was studied during the subcommittee's review of the management of the National Flood Insurance Program (See I.B.16.); review of planning for evacuation of areas threatened by hurricanes (See I.B.17.); and inquiry into staffing levels of the U.S. Fire Administration (See I.B.18.).

10. Military Leasing Act (10 U.S.C. 2667).

This act grants authority to the Secretaries of military departments to enter into leases. The act contains general language which provides broad limits to the leasing power.

The subcommittee reviewed application of the act in two instances: the Air Force's lease of twelve UH-1 helicopters to the California Department of Forestry (See I.B. 19.); and the Air Force's lease provisions which hampered GSA action pursuant to the Federal Property and Administrative Services Act of 1949 (See I.B. 20.).

11. The Administrative Expenses Act of 1946 (Public Law 600—79th Congress) (60 Stat. 806).

Section 16 (31 U.S.C. 638a) of the above named act is being extensively reviewed during the subcommittee's inquiry into the use of dedicated vehicles by the Department of State (See I.B. 21.).

INTERGOVERNMENTAL RELATIONS AND HUMAN RESOURCES SUBCOMMITTEE

1. State and Local Fiscal Assistance Act of 1972, as amended (31 U.S.C. 1221 et seq.).

This law which continued the revenue sharing program through fiscal year 1983 was reviewed in connection with proposals to reduce local government entitlements for fiscal year 1982. Revenue sharing payments have not been made to State governments since the law was amended in 1980 to permit such payments if funds are appropriated, rather than as entitlements. Study was made of how the allocation formula and other provisions of the law might be changed to assure the equitable distribution of funds in the event the total amount of funding for local governments is reduced. In addition, work was begun on assembling the necessary data and constructing a formula for the possible future allocation of funds to assist State and local governments during economic recessions.

COMMERCE, CONSUMER, AND MONETARY AFFAIRS SUBCOMMITTEE

The subcommittee's broad-ranging investigations during the 97th Congress included a review of many of the major laws administered by the agencies which came under the subcommittee's oversight program. The subject matter of these laws is identified in the descriptive material found in sections I.A. and B. of this report. Laws dealing with foreign investment, banking, financial markets, tax administration and condominium conversion received special attention.

MANPOWER AND HOUSING SUBCOMMITTEE

Wagner-O'Day Act—Analysis of major General Accounting Office report and responses; discussion of legislative issues with Wagner O'Day Committee Members and representatives of National Industries for the Blind during visit to workshops.

GOVERNMENT ACTIVITIES AND TRANSPORTATION SUBCOMMITTEE

1. Federal Property and Administrative Services Act of 1949.

a. Further Federal Utilization and Disposal of Personal Property (sections 201, 202, 203, and Title IV).—The subcommittee conducts a major continuing review of Federal programs for:

(i) further Federal agency utilization of excess personal property and,

(ii) distribution of both excess and surplus personal property to state and local entities for special purposes of a public nature. When the owning Federal agency has no further need for certain property, it declares that property "excess." It is then available for some other Federal agency to acquire. If no Federal agency has need for the property, GSA declares it "surplus." It may then be donated to local organizations for select purposes or, if not donated, sold immediately.

Public Law 94-519, which was handled by the subcommittee, brought about a major reorganization in Federal personal property distribution. It consolidated management of numerous previously separate Federal agency activities and functions for distributing excess and surplus property to local organizations. It brought most of these programs into the original distribution arrangement known as the "donation program" under section 203(j) of the Federal Property Act. GSA how has the prime responsibility, but works in partnership with each state's surplus property agency to effect distribution and control.

Unneeded Federal personal property is an important national asset. Its distribution for non-Federal public uses is a form of major assistance. Measured by original government acquisition costs, such property transfers amount to some $40 million a year out of nearly $4 billion in property declared excess each year by individual Federal agencies. The special character of the assistance, its size, and its nationwide scope are a unique Federal benefit whose dollar value is difficult to measure; it bears little relationship to the usual low market value of the items transferred.

The subcommittee has carefully monitored implementation of the law. It has worked closely with affected agencies, principally GSA and the state surplus property agencies. It has maintained close touch with GAO and GSA about their separate statutory duties to report biennially on the effectiveness of Public Law 94-519. This aspect of oversight is particularly important because of several legislative proposals to make excess property available to various special purposes, such as for local civil defense organizations, the cooperative agriculture extension work, A.I.D. and nonprofit voluntary relief organizations. Proponents of these special purposes have not been satisfied with current law, which they contend does not sufficiently take care of what these special purposes ought to have. The subcommittee requested particular coverage of such purposes in the GSA and GAO reports due in April 1982.

Subcommittee oversight included a hearing on the current state of the program and important current problems, including the program's long-range outlook. For some states, that outlook appeared to be clouded because of such factors as smaller overall generations of excess, greater Federal utilization of excess, and GSA's 1980 furniture disposal moratorium. The hearing was held July 29, 1981. Witnesses included representatives of GSA, GAO, DOD, state surplus property agencies, and the National Association of Development Organizations. It was the consensus of witnesses that P.L. 94-519 was being implemented in the main in accordance with congressional intent. For example, much less excess property was being transferred to non-Federal organizations and much more for internal Federal use and donation, after being declared surplus. It was the consensus of witnesses that organizational and financial problems facing the program, while significant, appeared to be manageable and the outlook for the program was reasonably good. The hearing has been printed.

One reorganizational action taken was to consolidate all personal property donation program responsibilities into the existing four so-called "allocating regions:" Washington, D.C.; Atlanta, Georgia; Fort Worth, Texas; and San Francisco, California. Personnel in the six remaining regions who performed donation functions were assigned to branches that combined both the Federal excess-property utilization function and the surplus property donation function. This reduced the donation program staff from 77 employees to 45 positions. Combined utilization-donation staffing was reduced from 232 to 141 positions. Program performance has been reduced as a result. The zonalization does permit more effective use of personnel, however, in the situation caused by overall agency budget reductions.

Overlaid on the zonalization action was a further GSA regional reorganization to consolidate personal property activities. All regional personal property activities of the Federal Property Resources Service (the earlier staff service organizational basis) were consolidated in Personal Property Divisions in the above-named four regions. Personal property activities in the remaining regions were established as Field Offices, reporting to adjacent regional Personal Property Divisions. The impact of these changes is being assessed by the General Accounting Office as an effort supplementary to the biennial report on excess and surplus personal property activities. In order to accommodate this additional information, the subcommittee advised GAO it would not object to a submission of the report after the regular due date.

There has been a further organizational change in central office organization structure that affects the program. In August 1982, personal property functions previously part of the Federal Property Resources were transferred into a new Office of Personal Property and within that office into a subordinate Office of Property Management and, there, into a Utilization Division, a Sales Division, and a Donation Division. The impact of these reorganizations and resultant personnel changes on utilization and donation is likely to be significant. It will require continued careful scrutiny by the subcommittee.

The Presidential initiative to speed up sales of real property prompted the subcommittee on February 9 to write the President and include in the letter a question as to what changes, if any, were contemplated in the donation program to provide more sales revenue. Responding for the President on April 13, 1982, the Office of Management and Budget stated: "There are no changes being planned for the personal property donation program."

In late 1981, a new matter of concern to the utilization and donation programs arose. The Agriculture and Food Act of 1981 (P.L. 97-98; December 22, 1981) contains a provision (section 1443) which amends the Federal Property Act. Under it, the Secretary of Agriculture may obtain excess property for the purpose of lending it to State and local grantees involved in cooperative extension work, agricultural research work, including forestry and veterinary medicine. Although the provision specifically amends a jurisdictional statute of the Committee on Government Operations, the committee did not have opportunity to participate in consideration of this provision. Nor, according to the committee's advice, was GSA consulted. It is, therefore, the subcommittee's task now to monitor carefully any exercise of this new authority, with a view to insuring that implementation is in precise accordance with the law and does not lead to unwarranted encroachment on previously authorized programs for utilization and donation of excess and surplus property.

b. Further Federal Utilization and Disposal of Real Property (sections 202 and 203, Federal Property Act):

(i) Negotiated disposal of surplus property. An important statutory duty of the subcommittee is that it must review in advance, GSA's explanatory statements concerning proposed negotiated disposals of Government surplus property. The proposed transactions are sales (or sometimes exchanges) at the statutorily required estimated fair market value. Such transactions relate almost entirely to real property. Because of strict statutory limitations, GSA rarely negotiates with private persons. Most negotiations are conducted with public bodies. A major concern of the subcommittee is that GSA properly estimate and then obtain the fair market value of the property. Further discussion of this activity is discussed below III.B.

(ii) Transferring surplus property to local entities for public use. The Federal Property Act and other statutes have authorized the transfer of surplus real property to public entities, which must use it for specific public purposes, chiefly, educational, public health, park and recreational, public airport, historic preservation, wildlife conservation, and low and middle-income housing. Such transfers may be made at less than estimated fair-market value, that is, at discount. In most cases, the discount allowed is 100 percent, thus making the transaction in effect nonreimbursable.

A particular problem with such disposals has been that a transferee will often hold property for a long period without fulfilling the agreed public purpose. GSA and the Departments of Education, Health and Human Services, Interior, Transportation (FAA), and HUD have key roles, according to which program the property is to support. This makes for fragmentation of responsibility because in each case the responsibility for final approval of the transfer rests by statute with GSA. The need for GSA to coordinate better with these other agencies for reviewing, certifying, protecting, transferring, and use-monitoring the properties has been apparent for some time. The other agencies, however, have been resistant.

The General Accounting Office, through inspection of selected properties, has reported that there are serious problems concerning proper use of property for most of the above purposes. Beginning in 1962 with the FAA and public airport use of property, GAO found a lack of an effective program to assure compliance by local public agencies with their obligations under the transfer agreements with the Government (B–118670). It concluded that action could be taken to safeguard in a better way the Government's continuing interest in airport property already disposed of and property which might be disposed of in the future. Another GAO report in 1978 broadened the same criticism to cover the compliance programs of the then Department of Health, Education and Welfare and the Department of the Interior. GAO repeated its criticism of the FAA in a September 12, 1978, report concluding that FAA had done little to correct long-standing compliance deficiencies. FAA disagreed there was evidence that misuse was widespread, yet added it did not plan then to make a special effort to determine the extent of misuse. GSA's Inspector General reached a similar conclusion in a June 18, 1980, report that the compliance program provides preliminary indications of "large-scale abuse."

Meanwhile, the subcommittee had already elicited from the OMB an agreement in principle for a review involving GSA and other concerned agencies to develop coordinated steps to improve compliance. The review not having been made, the subcommittee wrote the OMB on May 13, 1981, asking that initiatives be taken promptly to institute interagency cooperation and coordination. OMB's reply of July 1, 1981, stated that a review was underway of Federal property disposal, including oversight of surplus properties transferred to local agencies. Clearer definition of agencies' roles and greater accountability of property recipients are among solutions being examined. Describing the issues as complex, OMB said that to complete the review "would take some time."

Proper compliance enforcement will necessarily be a collateral aspect of recent policy proposals to give greater attention to sale of unneeded Federal property to generate revenue. House and Senate Resolutions have been introduced calling for sale of surplus property to reduce the national debt (H. Res. 265 and S. Res. 231). (See under the subcommittee's portion of II.A., above.) White House officials have recently stressed the importance of more sales to help the budget. However, the GAO in a report dated December 11, 1981, pointed to massive difficulties inherent in large-scale land disposal and to lack of knowledge whether enough revenue could result to make such a large-scale disposal program worthwhile.

Attention given H. Res. 265 and S. Res. 231 coincided with efforts by the President to increase and accelerate sales of unused or unneeded land with a view toward obtaining substantial added revenues. They were demonstrated in his budget for fiscal year 1983, which included as receipts from GSA sales of real property in 1983, $1.2 billion, and for each of the years 1984–1987, $2.2 billion (based, according to OMB, on an assumed minimum market value of $5,000 per acre applied to total acreages sold each year of 400,000). To increase disposal by sale, the accompanying budget details declared that the Administration proposed to eliminate all discounted transfers to other Federal agencies and all no-cost conveyances to

State and local government, except for correctional facility purposes (in the event Congress should add that purpose to existing authorized purposes such as, schools, hospitals, and parks). On February 25, 1982, the President issued Executive Order No. 12348 (47 F.R. 8547; March 1, 1982), which established, in the White House, a Property Review Board to develop policies, collect and review information on current properties, set target amounts for agency property disposal, and review proposed public-benefit discount or nonreimbursable conveyances.

As part of its oversight function, the subcommittee held a hearing on April 27, 1982, on the President's initiative to undertake large-scale sales of Federal surplus lands as a major source of added revenue. One objective of the hearing was to provide a better basis for expectations, or fears, arising from the generality of the early outlines of the Administration's program as a way to reduce, or even eliminate, the national debt. The hearing made clear that much more basic data on property availability, current values, and marketing were needed to demonstrate that the announced goals were realistic. Efforts of the Property Review Board have included these objectives.

The difficulty in meeting such goals is apparent from the fact that as of December 31, 1981, GSA had 487 cases of excess or surplus property pending, with a total acquisition cost of $1.1 billion. Acquisition cost is not a reliable guide for realizable sales proceeds. For example, GSA advised the subcommittee that for the period July 1, 1980, to June 30, 1981, total sales numbered 118, with a yield of $46,553,806. The original acquisition cost of the properties sold, including often costly, special-purpose improvements, was $182,475,883. Historically, sales proceeds have averaged just over 30 percent of original acquisition cost.

GSA is, however, gearing up to a major effort. Its real property office has increased staff and has funding for the hiring of more appraisers and brokers. Whether it will meet the fiscal year 1983 goal of $1.2 billion in sales proceeds is not yet evident from early results.

Full evaluation of the initiative awaits more nearly complete results of the Property Review Board's and GSA's current efforts. Perhaps the chief one for the Board is to obtain full current inventories of excess and surplus real property from the controlling agencies, with sound evaluation of actual need for retained property. Reliable and current valuation data for such properties poses a difficult problem. The Board also has undertaken a program to enhance compliance with prior conveyances of surplus real property subject to use restrictions. Here, too, results have to be awaited. In other areas of its concern, namely, the policies that excess property should be transferred to another Federal agency only on payment of the full fair market value for the property and that public-benefit discount conveyances be eliminated, the Board appears to be moving toward a more practical, less categorical approach, inasmuch as it has issued guidelines for exceptions (cf. its memoranda of June 2, 1982, and April 6, 1982, to the Administrator of General Services). Such an approach would appear more in keeping with the general policy of Congress expressed in section 202(a), 202(c), and 203(k) of the Federal Property Act.

It is clear, however, that the activities of the Board and GSA in carrying out the Administration's real property utilization and disposal programs will require close and continuous subcommittee oversight as results from current efforts begin to accumulate and form a clearer picture.

The subcommittee's property-disposal oversight responsibility required assertion of concern for section 804 of S. 2586, the Military Construction Authorization Act for 1983, as passed by the Senate on June 30, 1982. The section contained language to allow the Department of Defense to conduct its own real-property exchange and disposal operation separately from the rest of the Federal Government. It would have retained part of the sales proceeds in a special property replacement fund. As the major excess-property generating agency, DOD would have reduced, to a large extent, GSA's function as the Government's principal property disposal agent. Both the subcommittee chairman and the Full Committee chairman actively opposed this proposal both for its substance and as an intrusion upon the committee's jurisdiction over the Federal Property Act. The House Committee on Armed Services, which shared many of this committee's reservations, was successful in obtaining agreement to eliminate the section in conference, the conferees recommending hearings on the proposal during the next Congress.

2. Laws Relating to Travel, Transportation and Subsistence of Federal Employees.

In addition to its activities with respect to Federal travel described under the subcommittee's portion of I.B. above, the subcommittee assisted the Full Committee in a technical review, for purposes of perfecting the language, made of section 605 of S. 2774, the Omnibus Reconciliation Act of 1932 (P.L. 94-253). The provision relates to travel and transportation expenses allowed Federal employees and their families for vacation home leave when the employee is stationed outside the continental United States. Section 605 amends section 5728 of Title 5, U.S. Code, to curtail certain roundtrip vacation leave benefits for Federal employees stationed in Alaska who have residences outside those States.

GOVERNMENT INFORMATION AND INDIVIDUAL RIGHTS SUBCOMMITTEE

1. Freedom of Information Act (Public Law 90-23, as amended by Public Laws 93-502 and 94-409; 5 U.S.C. 552).

Comprehensive oversight hearings on the Freedom of Information Act were held on July 14, 15, and 16, 1981. In announcing the hearings, those who use the FOIA and those who are affected by it were invited to participate by submitting testimony or by appearing as witnesses. A number of representatives of press organizations testified, including Jack Anderson, on behalf of Mutual Broadcasting; Jim Polk, on behalf of Investigative Reporters and Editors, Inc.; Bob Schieffer, on behalf of the Society of Professional Journalists, Sigma Delta Chi; Edward Cony, on behalf of the American Society of Newspaper Editors; Eric Rider, on behalf of the Journal of Commerce; William Cox, on behalf of the American Newspaper Publishers Association; Jack Landau, on behalf of the

Reporters Committee for Freedom of the Press; and Ernie Schultz, on behalf of the Radio-Television News Directors Association.

Other witnesses and organizations represented included Ed Asner, on behalf of the Fund for Open Information and Accountability; the Association of American Medical Colleges; the National Agricultural Chemicals Association; National Committee Against Repressive Legislation; National Women's Law Center; National Association of Manufacturers; National Meat Association; Better Government Association; American Society of Access Professionals; Freedom of Information Clearinghouse; Procter & Gamble; Dow Corning Corp; Americans for Democratic Action; American Civil Liberties Union; and Organization of American Historians.

The Reagan Administration was in the midst of a review of FOIA at the time of the hearings, and the only agency witness was Jonathan Rose, Assistant Attorney General for Legal Policy. Because the Administration's position was not completed at the time of the hearing, no other agency witnesses were invited. A formal legislative proposal was made in October, 1981 (H.R. 4805). However, since a FOIA bill never reached the Senate floor, no active consideration was given to amendments to FOIA.

The subcommittee also continued its practice of carefully monitoring annual agency FOIA reports and changes in agency FOIA regulations. In addition, the subcommittee continued to review legislation from other committees that affect the availability of information. The enactment of these so-called exemption three statutes is one way that changes have been made to the FOIA. Several such exemption three statutes were enacted (involving the Consumer Product Safety Commission, the Internal Revenue Service, Medical Peer-Review Organizations, and the Department of Commerce Export Trading Operations) but consideration of the legislation containing these exemptions was not conducive to active participation by the subcommittee.

The subcommittee took an active role in overseeing the handling of several FOIA requests by the Department of Energy. These requests were investigated because the treatment of the requests raised serious questions about the nature of the decisionmaking process at the agency level. In one case, involving a request for information about a contract between DOE and a consultant, the subcommittee was able to persuade the agency to reconsider its denial and to release portions of the contract that were not exempt from disclosure.

In a second case, the subcommittee became involved because the Department of Energy had apparently denied a request for declassification of a document that had already been publicly released. The denial by the agency raised serious questions about the coordination of FOIA requests and the declassification process in general. After an investigation, it became clear that the Department of Energy had made errors in a decision to declassify one of the documents that was involved. As a result of the improper declassification of this document, the agency was unable to properly process a FOIA request without revealing that a document that should have been classified had been released.

After intervention by the subcommittee, and the passage of time that permitted public acknowledgment of the improperly declassified document, the agency was able to provide a complete and open response to the FOIA request. The agency also took appropriate action to prevent the improper declassification of documents in the future.

Other oversight of agency FOIA operations was concluded at the Department of Justice, Food and Drug Administration, Environmental Protection Agency, Federal Reserve, Department of Housing and Urban Development and the Comptroller of the Currency. As a result of these activities, inequitable treatment of some FOIA requests was revealed, and some changes in agency FOIA procedures are being considered.

2. Privacy Act of 1974 (Public Law 93-579; 5 U.S.C. 552a).

The Privacy Act requires that each federal agency publish a notice of the existence of all record systems it maintains. A system of records is a group of records from which information is retrieved by the name or other identifying characteristic of an individual. Whenever a new system of records is created or whenever a significant change is made in the nature of a system, the act requires that every agency provide adequate advance notice to the Congress.

As in past years, the subcommittee's major Privacy Act oversight was a review of these new system reports. Each report is carefully read in order to determine whether the new system is consistent with the law and whether the routine uses are appropriate. A routine use is a disclosure outside an agency that is consistent with the purpose for which the information was collected. Over the years, the overwhelming majority of problems with system notices has been with the routine use provisions.

Most questionable routine uses are broader than is necessary to accomplish the specific purposes for which the system was established. A good example comes from a public affairs contact system that was established during 1981 by the International Communications Agency. The routine use was defined in terms of the authority of the recipient to maintain the information rather than in terms of the authority of the agency to disclose the information.

Another type of problem arises from the failure of an agency to coordinate the routine uses for a particular system with the general routine uses that are frequently established to apply to all systems of records. An example of this type of problem comes from a system of records established by the Federal Railroad Administration in the Department of Commerce. The general routine uses made applicable to this system appeared to be inconsistent with the stated purpose of the system.

In both instances, changes were made in the system notices after the problems were identified by the subcommittee. In addition, the Department of Transportation indicated that it would conduct a more general review of the application of its general routine uses for its next annual republication of systems notices.

Other Privacy Act systems notices that led to Subcommittee action were issued by the Agency for International Development, Department of Defense, Veterans' Administration, Internal Revenue Service, Department of Justice, Department of Labor, Federal Emergency Management Agency, Department of Health and

Human Services, Central Intelligence Agency, and National Institutes of Health.

The subcommittee also began to coordinate its Privacy Act system review with the recently created Office of Information and Regulatory Affairs in the Office of Management and Budget.

3. The Federal Advisory Committee Act (Public Law 93-463; as amended by Public Law 94-409; 5 U.S.C. App I).

This act (1) requires each standing congressional committee to make continuing reviews of advisory committees under its jurisdiction, (2) gives the Director of the Office of Management and Budget responsibility for reviewing advisory committees and prescribing administrative guidelines and management controls, (3) sets forth certain reporting requirements by the President, (4) provides for phasing out advisory committees every two years unless positive actions are taken to retain their existence, and (5) prescribes open meetings, balanced representation, and other procedural requirements for advisory committees.

The subcommittee received and, on a selective basis, reviewed the annual reports submitted by the President on advisory committees. Letters were sent to several advisory committees, including the Nuclear Regulatory Commission's reactor safeguards panel, challenging the grounds upon which their meetings were closed to the public.

The subcommittee has watched with some dismay over the past four years as the advisory committee secretariat, responsible for overseeing Executive agency committees, first was moved under President Carter's reorganization plan No. 1 from the Office of Management and Budget to the General Services Administration. Later it was moved from GSA headquarters to the National Archives and Records Service.

The subcommittee reviewed and commented informally on rules proposed by the committee management secretariat; commented on the President's annual report (see Congressional Record, May 19, 1982, at p. H2356); and participated in the newly established Federal Advisory Committee Management Association.

4. The Government in the Sunshine Act (Public Law 94-409; 5 U.S.C. 522(b)).

The act, which became effective on March 12, 1977, provides that meetings of multi-headed Federal agencies, a majority of whose members are appointed by the President with the consent of the Senate, shall be open to the public. It provides 10 permissive exemptions to the general openness rule and requires transcripts to be kept for all closed meetings. The act also prohibits ex parte communications between agency officials and parties involved in formal agency adjudications or on-the-record rulemaking.

The subcommittee followed the implementation of the act closely, providing general guidance, and reviewing and commenting on the proposed Sunshine regulations of each agency. Meeting notices required to be published in the Federal Register were monitored regularly in terms of their informative quality and adequacy of rationale for convening closed sessions. Building on its earlier findings of possible violation of the act by the U.S. Postal Service

Board of Governors, the subcommittee undertook a more extensive examination of the operation of the Board.

Working with the Senate, guidelines were established for annual reporting by the agencies to Congress.

5. Public Printing and Documents (44 U.S.C. 2100 et seq.).

The subcommittee's legislative jurisdiction involving title 44 is wide-ranging, and includes archival administration, records management, records disposal, coordination of data collection activities, and the Presidential Records Act.

The statutes governing archival administration were reviewed in conjunction with the subcommittee's oversight of the National Archives and Records Service.

Other title 44 activities involved:

Study of recordkeeping practices of Federal agencies with regard to designation of personal and official records and mechanisms for retrieval of papers improperly removed from government custody; and

Preliminary survey of adequacy of the National Archives and Records Service's guidance to Federal agencies and records management and paperwork problems, with attention to the Archives' cost-reimbursable technical assistance programs.

6. The Presidential Records Act of 1978 (Public Law 95-591; 44 U.S.C. 2201).

The Presidential Records Act, which took effect on January 20, 1981, declares Presidential records to be Government property and provides that immediately upon the conclusion of a President's tenure in office these records are transferred to the custody of the Archivist of the United States. The Archivist is given responsiblity for the placement of the records in a Presidential library or other federally operated facility.

An outgoing President is permitted to place mandatory restrictions of up to 12 years on the public availability of certain types of information. The six restrictive categories are modeled after several of the exemptions of the Freedom of Information Act.

The Freedom of Information Act (FOIA) with its procedural requirements and provisions for judicial review, governs public access to all Presidential records not subject to these mandatory restrictions. The FOIA also controls access to previously restricted information once a mandatory Presidential restriction is no longer in effect. The term of a mandatory restriction ends (1) when the period of up to 12 years selected by the outgoing President has passed, (2) when a restriction is lifted with the former President's consent, or (3) when it has been determined by the Archivist that information covered by a Presidential restriction has been placed in the public domain through publication by the former President or one acting on his behalf.

The Archivist is given up to 5 years from the end of a President's tenure in office to complete archival processing of the records. During this period the Archivist is under no legal compulsion to make the documents available to the general public.

To facilitate the compiling of a complete record and the orderly transfer of materials, the President is encouraged to implement sound records management practices and is required to separate personal papers from Presidential records. The President may not dispose of Presidential records without first obtaining the written views of the Archivist concerning their historical value. When the Archivist considers it to be in the interest of either the public or Congress, he must advise Congress of the proposed disposal, which must then be stayed for a period of sixty legislative days.

Finally, the legislation provides for the similar treatment of Vice-Presidential records.

The committee monitored White House implementation of the Act and collected relevant exchanges of correspondence between the President, his aides, and the Archivist.

III. Other Current Activities

A. GENERAL ACCOUNTING OFFICE REPORTS

LEGISLATION AND NATIONAL SECURITY SUBCOMMITTEE

A total of 91 General Accounting Office reports to the Congress were referred to the subcommittee for action during the 97th Congress. Additionally, 424 other reports were received by the subcommittee for review. These were studied by the subcommittee staff for consideration in connection with the subcommittee's investigative program.

Some of the reports received during the 97th Congress and reports which were received during previous Congresses were extensively used during the subcommittee's hearings and reviews.

1. "NATO's New Defense Program: Issues for Consideration," dated July 9, 1979, ID-79-4A.

a. Summary of subcommittee action.—This report provided information useful to the subcommittee in its investigation of progress by the NATO alliance in implementing the Long-Term Defense Program. This resulted in the report referred to in I.A.1.

b. Benefits.—See I.A.1.

2. "Equitable Cost Sharing Questioned on NATO's Airborne Early Warning and Control Program," dated July 1, 1980, ID-80-47; "Cost Waivers Under the Foreign Military Sales Program: More Attention and Control Needed," dated September 26, 1978, FGMSD-78-48A.

a. Summary of subcommittee action.—These reports provided an important basis for the subcommittee's investigation of DOD's failure to recover nonrecurrng research, development, and production costs on foreign military sales, resulting in the report referred to in I.A.2.

b. Benefits.—See I.A.2.

3. "Disappointing Progress in Improving Systems for Resolving Billions in Audit Findings," dated January 23, 1981, AFMD-81-27; "More Effective Action Is Needed on Auditor's Findings—Millions Can Be Collected or Saved," dated October 25, 1978, FGMSD-79-3; and "The National Science Foundation Needs a Formal System for Followup on Audit Reports," dated October 3, 1978, HRD-78-147.

a. Summary of subcommittee action.—These reports provided an important basis for the subcommittee's continued investigation into the effectiveness of internal auditing and debt collection within the Federal Government which resulted in the reports referred to in I.A.4 and I.A.9.

b. Benefits.—See I.A.4 and I.A.9.

4. "Fundamental Changes Needed To Achieve Shared Support Services for Federal Agencies Overseas," dated April 29, 1981, ID-81-37.

a. Summary of subcommittee action.—This report provided an important basis for the subcommittee's continued investigation into the management of overseas diplomatic posts, which resulted in the report referred to in I.A.5.

b. Benefits.—See I.A.5.

5. "Millions in Losses Continue on Defense Stock Fund Sales to Foreign Customers," dated September 10, 1981, AFMD-81-62; "Challenges To Reducing Government Equipment in Contractors' Plants," dated September 15, 1977, LCD-77-417; "Administration of Repair Contracts Needs Improvement," dated December 27, 1976, PSAD-76-179.

a. Summary of subcommittee action.—These reports provided an important basis for the subcommittee's investigation of inadequate controls over Government material furnished to contractors, resulting in the report referred to in I.A.6.

b. Benefits.—I.A.6.

6. "Misuse of SBA's 8(a) Program Increased Cost for Many ADP Equipment Acquisitions," dated October 16, 1981, AFMD-82-9.

a. Summary of subcommittee action.—This report is a result of the subcommittee's continuing investigation into the use of the Small Business Administration's Section 8(a) program as a vehicle to avoid the competitive computer acquisition process, which is referred to in I.B.2.

b. Benefits.—See I.B.2.

7. "NORAD's Missile Warning System: What Went Wrong?" dated May 15, 1981, MASAD-81-30.

a. Summary of subcommittee action.—This report provided an important basis for the subcommittee's investigation into the false missile alerts occurring at the NORAD facility which resulted in hearings referred to in I.A.7.

b. Benefits.—See I.B.7.

8. "Solving Social Security's Computer Problems: Comprehensive Corrective Action Plan and Better Management Needed," dated December 10, 1981, HRD-82-19.

a. Summary of subcommittee action.—This report is a result of the subcommittee's continued investigation into the computer problems plaguing the Social Security Administration which resulted in hearings referred to in I.A.12.

b. Benefits.—See I.A.12.

9. "U.S. Assistance to Egyptian Agriculture: Slow Progress After Five Years," dated March 16, 1981, ID-81-19; "U.S. Development Assistance to the Sahel—Progress and Problems," dated March 29, 1979, ID-79-9; "AID Slow in Dealing With Project Planning and Implementation Problems," dated July 15, 1980, ID-80-33; "U.S. Strategy Needed for Water Supply Assistance to Developing Countries," dated August 25, 1981, ID-81-51: "The Growing Role of Trade as a Development Assistance Mechanism," dated August 11, 1981, ID-81-46; "The Overseas Private Investment Corporation: Its Role in Development and Trade," dated February 27, 1981, ID-81-21; "Management Problems With AID's Health-Care Projects Impede Success," dated April 28, 1981, ID-81-24; "Poor Planning and Management Hamper Effectiveness of AID's Program To Increase Fertilizer Use in Bangladesh," dated March 31, 1981, ID-81-26; "Food for Development Program Constrained By Unresolved Management and Policy Questions," dated June 23, 1981, ID-81-32; "Efforts To Improve Management of U.S. Foreign Aid—Changes Made and Changes Needed," dated March 29, 1979, ID-79-14; and "Coordinating U.S. Development Assistance: Problems Facing the International Development Cooperation Agency," dated February 1, 1980, ID-80-13.

a. Summary of subcommittee action.—These reports provided important information that formed the basis for review of the internal management problems affecting the Agency for International Development. This inquiry resulted in the investigation referred to in I.B.3.

b. Benefits.—See I.B.3.

10. "DOD Can Save Millions by Using Less Expensive Packaging for Small Arms Training Ammunition," date August 18, 1981, PLRD-81-53; "Centralized Ammunition Management—A Goal Not Yet Achieved," dated November 26, 1979, LCD-80-1; and "Recommended Reductions to Fiscal Year 1983 Ammunition Procurement and Modernization Programs," dated August 10, 1982, PLRD-82-92.

a. Summary of subcommittee action.—These reports provided an important basis for the subcommittee's continuing investigation of DOD's failure to manage conventional ammunition properly, referred to in I.A.8.

b. Benefits.—See I.A.8.

11. "Terminating the Audit of the National Flood Insurance Program's Fiscal 1980 Financial Statements," dated September 21, 1980, AFMD-81-93.

a. Summary of subcommittee action.—This report has provided the basis of and background for the subcommittee's review of the accounting system and financial controls for the National Flood Insurance Program.

b. Benefits.—See I.B.16.

12. "Implementation: The Missing Link in Planning Reorganizations," dated March 20, 1981, GGD-81-57.

a. Summary of subcommittee action.—This report provided important background in development of the bill, H.R. 3270, to extend and amend the authority of the President to reorganize the executive branch of the Government under chapter 9 of title 5, United States Code. It was subsequently used extensively as background information during hearings on H.R. 3270.

b. Benefits.—The report has provided important insight into major deficiencies in the implementation of reorganization plans. Its discussion has succeeded in raising the priority of implementation and, if its suggestions are put into practice, should result in improved management and speedier implementation of reorganization plans. (See II.A.9.)

13. "Better Software Planning Needed at the Air Force's Global Weather Central," dated February 24, 1981, AFMD-81-24.

a. Summary of subcommittee action.—This report provides an important basis in which to review agency software efforts, an area currently estimated to represent about 85 percent of the total system cost of modern ADP systems.

b. Benefits.—Actual monetary benefits cannot be estimated. However, if the recommendations are implemented, the efficiency of the Global Weather system would be improved greatly. Also, more reliance on competition would be a major accomplishment if proper software development procedures were followed.

14. "Keeping the Railroad Retirement Program on Track—Government and Railroads Should Clarify Roles and Responsibilities," dated March 9, 1981, HRD-81-27.

a. Summary of subcommittee action.—This report provides important information into the current and future status of the Railroad Retirement Program.

b. Benefits.—The problem identified by the GAO will enable the Congress to properly address and resolve the major issues facing this program, thus ensuring the continuance of the Railroad Retirement system.

15. "Service Contract Act Should Not Apply to Service Employees of ADP and High-Technology Companies—A Supplement," dated March 25, 1981, HRD-80-102(A).

a. Summary of subcommittee action.—The subcommittee requested that the GAO evaluate the Department of Labor's response to the earlier September 16, 1980, GAO report. In this report, GAO reinforces its conclusions that wage protection for service workers is not needed and that undue financial and administrative burdens result from applying the Act to high-technology industries.

b. Benefits.—The benefits are not quantifiable. However, a highly competitive industry will continue to exert a major influence on our society as a result of Labor's decision to rescind its earlier ruling that the Service Contract Act should apply to high-technology industries.

16. "Department of Agriculture Needs Leadership in Managing Its Information Resources," dated June 19, 1981, CED-81-116.

a. Summary of subcommittee action.—This is the first significant report from GAO regarding the implementation of the Paperwork Reduction Act of 1980 at a major Federal department.

b. Benefits.—This report provides the basis from which other agencies can be evaluated in terms of how these agencies implement P.L. 96-511. If the recommendations are fully implemented at the USDA, a more efficient and economical use of high technology will result in improved services.

17. "Fragmented Managment Hinders GSA's Ability To Acquire Internal ADP Resources," dated July 28, 1981, AFMD-81-74.

a. Summary of subcommittee action.—This report provided an important basis for the subcommittee's continuing review of GSA's problems in properly acquiring, managing and using ADP technology.

b. Benefits.—The recommendations, if properly implemented, will provide a good basis for GSA to considerably improve its internal ADP operations. The recompetition of GSA's requirements for its internal system is expected to save the agency about $9 million.

18. "Improper Lobbying Activities by the Department of Defense on the Proposed Procurement of the C-5B Aircraft," dated September 25, 1982, AFMD-82-123.

a. Summary of subcommittee action.—The report has provided important information to the subcommittee concerning Department of Defense lobbying and has prompted further additions to the dialogue on the proper role of the Department in the procurement decisionmaking process as discussed in I.B.23.

b. Benefits.—See I.B.23.

19. "Review of the Claims Processing Procedures of the National Flood Insurance Program," dated March 5, 1982, AFMD-82-56; "Followup to GAO Report on the Claims Processing Procedures of the National Flood Insurance Program," dated July 22, 1982, AFMD-82-56S; "National Flood Insurance:—Marginal Impact on Flood Plain Development—Administrative Improvements Needed," dated August 16, 1982, CED-82-105; "Interim Report on the Federal Emergency Management Agency's Organization and Management Systems," dated December 7, 1981, GGD-82-24; "Examination of Financial Statements of the National Flood Insurance Program as of December 31, 1977," dated June 1, 1979, CED-79-70; and "Terminating the Audit of the National Flood Insurance Program's Fiscal 1980 Financial Statements," dated September 21, 1981, AFMD-81-93.

a. Summary of subcommittee action.—These reports have aided the subcommittee's oversight of the administration of the National Flood Insurance Program as discussed above at I.B.16.

b. Benefits.—I.B.16.

20. "Requests for Federal Disaster Assistance Need Better Evaluation," dated December 7, 1981, CED-82-4; "Federal Agency Roles and Responsibilities for Emergency Communications Need Clarification,"dated August 8, 1980, LCD-80-91; Letter Report addressed to Honorable Herman E. Talmadge, Chairman, Committee on Agriculture, Nutrition, and Forestry, dated November 17, 1977, CED-78-13; "Federal Disaster Assistance: What Should the Policy Be?," dated June 16, 1980, PAD-80-39; "States Can Be Better Prepared To Respond to Disasters," dated March 31, 1980, CED-80-60; "Improvements Being Made in Flood Fighting Capabilities in the Jackson, Mississippi Area," dated December 18, 1979, CED-80-36; Letter Report addressed to Honorable Patricia Roberts Harris, the Secretary of Housing and Urban Development, dated March 22, 1979, CED-79-58; and "The Johnstown Area Flood of 1977: A Case Study for the Future," dated May 5, 1978, CED-78-114.

a. Summary of subcommittee action.—These reports provided important preliminary background material to aid the subcommittee in its evaluation of FEMA's performance in prevention of loss of life and property from hurricanes, floods, and other natural disasters and will provide background information for the evaluation of other FEMA efforts. The subcommittee's hurricane evaluation study is discussed at I.B.17.

b. Benefits.—See I.B.17.

21. "Consolidating Military Base Support Services Could Save Billons," dated September 5, 1980, LCD-80-92.

a. Summary of subcommittee action.—This report provided an important basis for the subcommittee's investigation of the management of DOD base support services, resulting in the report referred to in I.A.11.

b. Benefits.—See I.A.11.

22. "Review of Department of Defense Investigation of Leak of Classified Information to the Washington Post," dated October 7, 1982, GGD-83-15.

a. Summary of subcommittee action.—This report provided the subcommittee with factual information to aid in its evaluation of the use of polygraph tests in the investigation in question and in general, as referred to in I.B.26.

b. Benefits.—See I.B.26.

23. "Job Opportunities for Women in the Military: Progress and Problems," dated May 11, 1976, FPCD-76-28; "Army Needs Better Data To Develop Policies for Sole and Inservice Parents," dated September 13, 1982, FPCD-82-50.

a. Summary of subcommittee action.—These reports provided important information to the subcommittee investigation of women in the military described in I.B.25.

b. Benefits.—See I.B.25.

24. "DOD Information Provided to the Congress on Major Weapon Systems Could Be More Complete and Useful," dated May 9, 1980, C-PSAD-80-24.

a. Summary of subcommittee action.—This report provided important information that formed part of the basis for review of the ability of the DOD to accurately project inflation's role in future DOD budget forecasts.

b. Benefits.—See I.A.3.

25. "Actions To Improve Timeliness of Bill Paying by the Federal Government Could Save Hundreds of Millions of Dollars," dated October 8, 1981, AFMD-82-1.

a. Summary of subcommittee action.—This report provided information pertinent to the general discussion of the Government's bill paying procedures. The material was used extensively during hearings on H.R. 4709, the Prompt Payment Act. S. 1131 as amended by the House was subsequently approved by the President.

b. Benefits.—Although not included in the bill which became law, the GAO suggestion to pay bills when due, rather than prior to the due date, was included in the OMB circular implementing the Prompt Payment Act, which was issued to all executive departments and agencies. (See II.A.6.)

26. "Agencies Need Better Guidance for Choosing Among Contracts, Grants, and Cooperative Agreements," dated September 4, 1981, GGD-81-88.

a. Summary of subcommittee action.—This report provided helpful background information for use during hearings on H.R. 3943, amending the Federal Grant and Cooperative Agreement Act. The hearings resulted in passage of the bill by the House and Senate, and approval by the President.

b. Benefits.—Information contained in the report supported the congressional action to delete the expiration date for the authority of the Director of the Office of Management and Budget to exempt certain transactions from the effects of the Federal Grant and Cooperative Agreement Act. As a result, documents covering block grants will not be required, thereby eliminating the need for thousands of man-hours of processing time. (See II.A.4.)

27. "Review of Unvouchered Expenditures at the State Department," dated March 23, 1982, AFMD-82-57.

a. Summary of subcommittee action.—This report was based on an audit made at the request of the subcommittee. As a result of information received in the report, the Chairman communicated with the Chairmen of the Appropriations Committees and the Foreign Affairs Committees of both the House and Senate, pointing out GAO's concern over the lack of adequate congressional direction to the Department of State covering the use of this account.

b. Benefits.—The study and report have proven beneficial in providing impetus for the Department of State to tighten its procedures governing use of its unvouchered account and to correct accounting errors. (See I.B.15.)

28. "Budget Implications of Savings Reported in the Third Summary Report Issued by the President's Council on Integrity and Efficiency," dated October 18, 1982, AFMD-83-14.

a. Summary of subcommittee action.—This report provided an important basis for the subcommittee's review of questionable data in reports issued by the President's Council on Integrity and Efficiency referred to in I.B.24.

b. Benefits.—See I.B.24.

29. "Improvements Needed in Providing Security at Overseas Posts," dated September 30, 1982, ID-82-61.

a. Summary of subcommittee action.—This report provided an important basis for the subcommittee's continued oversight investigation into the adequacy of security of U.S. personnel, property, and information overseas referred to in I.B.1.

b. Benefits.—See I.B.1.

INTERGOVERNMENTAL RELATIONS AND HUMAN RESOURCES SUBCOMMITTEE

A total of 37 General Accounting Office reports to the Congress were referred to the subcommittee. They were studied by the subcommittee staff and considered in connection with the subcommittee's investigative program.

COMMERCE, CONSUMER, AND MONETARY AFFAIRS SUBCOMMITTEE

During the 97th Congress, a total of 51 General Accounting Office reports were referred to the subcommittee.

1. "Illegal Tax Protesters Threaten Tax System," July 8, 1981 (GGD-81-83).

a. Summary of subcommittee action.—This GAO report, prepared at the subcommittee's request, documented the threat to our self-assessment tax system of the illegal protester movement; and the IRS' response to the movement.

The subcommittee held hearings into the tax protester issue in an effort to get the IRS to improve its performance in this area.

b. Benefits.—The U.S. Treasury is losing many millions of dollars each year due to the illegal tax protester movement. Only a more effective IRS effort will result in the collection of these taxes.

2. "Oil and Gas Royalty Collections—Longstanding Problems Costing Millions," October 29, 1981 (AFMD-82-6).

a. Summary of subcommittee action.—This GAO report, prepared at the subcommittee's request, examined the failure of the U.S. Geological Survey to collect oil royalties due the Government.

b. Benefits.—Implementation of the subcommittee's and GAO's recommendations would result in the collection of an additional $365 million per year to the U.S. Treasury.

3. "Reimbursement of Federal Employees' Salaries and Benefits by Saudi Arabia," October 21, 1982, GAO/ID-83-4.

a. Summary of subcommittee action.—During a September 23, 1981, hearing on OPEC country investments, the Treasury advised the subcommittee that the salaries of several hundred Federal employees, including 38 Treasury employees, are paid from funds placed on deposit with Treasury by the Government of Saudi Arabia. The subcommittee then requested that GAO examine the situation.

In its final report, the GAO advised the subcommittee: (1) Saudi Arabia is by far the largest foreign recipient of reimbursable U.S. technical and advisory assistance, with 1,500 Federal employees from 13 agencies working on civilian projects costing $585 million and on massive military construction projects costing $16.3 billion; (2) the Saudi Arabian Government (SAG) discriminates against Federal employees who are women and the U.S. Government (USG) participates in this by systematically excluding women from assignments in Saudi Arabia; (3) Federal employees sometimes furnish more than just technical and advisory services by holding operational positions in SAG ministries, in violation of law and agreements between SAG and USG; and (4) SAG can exercise total control over the USG employees involved with the projects, can veto their selection, can terminate their positions, and in numerous cases can terminate their continued employment with the USG. The report describes the projects and U.S. employee efforts. The subcommittee has requested GAO to examine possible violations of U.S. Government contracting and procurement rules and regulations in connection with these Saudi Arabian reimbursable projects.

b. Benefits.—Potential divided loyalties by Federal employees between a foreign government and their own government, particularly if conflicts arise or interests differ, raise fundamental public policy and national security issues. Federal employees who are specifically hired to positions because of the availability of foreign funds and who owe their continued employment and pay to a foreign sovereign may be particularly vulnerable. Disclosure of the nature and extent of the reimbursable programs with Saudi Arabia, including exclusion of women Federal employees, will assist the Congress in its future evaluation of this and similar programs.

MANPOWER AND HOUSING SUBCOMMITTEE

The subcommittee received a total of 73 General Accounting Office reports—15 Reports to Congress and 58 other reports—for consideration and evaluation. These reports were individually assessed to determine appropriate necessary action within subcommittee jurisdiction. Special use was made of the following GAO reports in subcommittee reports:

1. "Delays in Receiving and Investing Taxes Are Reducing Railroad Retirement Program Interest Income" (HRD-81-112, September 24, 1981).
2. "Disappointing Progress in Improving Systems for Resolving Billions in Audit Findings" (AFMD-81-27, January 23, 1981).
3. "Examination of the Effectiveness of Statutory Offices of the Inspector General" (AFMD-81-94, August 21, 1981).
4. "Review of Inspector General Functions in the Agency for International Development" (ID-S2-9, May 21, 1982).

The subcommittee also requested GAO investigations, reports, or reviews in the following areas:

1. An investigation of the administrative and management practices of ACTION officials regarding the Agency's programs;
2. An investigation of the Equal Employment Opportunity Commission's Federal sector complaints processing;
3. A review of the Railroad Retirement Board's disability retirement program and field office structure;
4. Review of claim awards of the Civil Service disability retirement program; and
5. Monitoring of changes in regulation of the Office of Federal Contracts Compliance Programs.

GOVERNMENT INFORMATION AND INDIVIDUAL RIGHTS SUBCOMMITTEE

1. "Faster Processing of DOD Personnel Security Clearances Could Avoid Millions in Losses," dated September 15, 1981, GGD-81-105.

a. Summary of subcommittee action.—This is the sixth in a series of GAO reports requested by the subcommittee regarding protection of national security information. The report demonstrated that the inability of agencies to process security clearances for DOD and contractor personnel was tremendously costly to the government. The subcommittee has contacted the agencies identified in the report in an attempt to speed up the corrective action recommended by the report.

b. Benefits.—The report estimates that productivity losses for the government and for government contractors could be costing as much as $920 million a year. Correction of the problems identified should result in a savings of hundreds of millions of dollars.

2. "Improvements Made, Some Still Needed in Management of Radio Free Europe/Radio Liberty," dated March 2, 1981, ID-81-16.

a. Summary of subcommittee action.—The GAO study outlined the need for a long-range U.S. international broadcasting policy in order to develop plans for the improvement of Radio Free Europe/Radio Liberty transmitting capabilities. This report was useful in providing information during the course of the subcommittee investigation as outlined earlier at I.A.1.

3. "The Multi-State Regional Intelligence Projects—Who Will Oversee These Federally Funded Networks?" dated December 31, 1980, GGD-81-36.

a. Summary of subcommittee action.—The GAO pointed out the operational plight of the projects in terms of oversight and funding. Their findings provided the basis for the subcommittee investigation mentioned at I.A.2.

4. "Asset Forfeiture—A Seldom Used Tool in Combating Drug Trafficking," dated April 10, 1981, GGD-81-51; "Bank Secrecy Act Reporting Requirements Have Not Yet Met Expectations, Suggesting Need for Amendment," dated July 23, 1981, GGD-81-80.

a. Summary of subcommittee action.—These two related reports have pointed out the inadequacy of the federal enforcement effort against the assets of major narcotic traffickers. Both reports point out a lack of coordination between enforcement agencies and suggest management initiatives that would greatly enhance identification and forefeiture of criminal assets, subjects of current subcommittee review.

b. Benefits.—Improved performance in the area of asset forfeiture would result in millions of dollars being recovered each year for essentially no additional outlay of enforcement funds.

5. "Federal Information Systems Remain Highly Vulnerable to Fraudulent, Wasteful, Abusive, and Illegal Practices," dated April 21, 1982, MASAD-82-18.

a. Summary of subcommittee action.—This is the third in a series of GAO reports requested by the subcommittee regarding the adequacy of computer security in the non-defense federal establishment. The report concludes that the Office of Management and Budget, having done little beyond issuing a circular on the matter, has failed to fulfill its earlier commitment to improved computer security. Moreover, the report concludes that there has been an increase in vulnerabilities for fraudulent, wasteful, abusive, and illegal practices because greater concentrations of information are accessible from an ever-increasing number of remote terminals.

b. Benefits.—While no dollar amount is given for the potential loss due to tax computer safeguards, two specific examples included in the report show a $1.3 million loss. The dollar losses associated with other specific examples, while not quantified, could well run to the tens of millions of dollars.

6. "Can the Federal Communications Commission Successfully Implement Its Computer II Decision?," dated January 29, 1982, CED-82-38.

a. Summary of subcommittee action.—This report was requested by the subcommittee concerning the Federal Communications Commission's plan for implementing its Computer Inquiry II decision. This decision deals with the regulatory problems raised by the convergence of communications and data processing technologies. These issues were important for the subcommittee investigations mentioned at I.A.10, and I.B.4.

b. Benefits.—Of primary concern is more effective management of resources by the FCC. Billions of dollars in local telephone rate increases may hinge on FCC actions.

ENVIRONMENT, ENERGY, AND NATURAL RESOURCES SUBCOMMITTEE

The Subcommittee received 47 General Accounting Office reports for action. An additional 134 reports were received for the Subcommittee's study and information. The reports that were used as a basis for further Subcommittee action included the following:

1. "Issues in Leasing Offshore Lands for Oil and Gas Development," EMD 78-11 (March 26, 1981).
2. "Impact of Regulations—After Federal Leasing—on Outer Continental Shelf Oil and Gas Development," EMD 81-48 (February 27, 1981).
3. "Pitfalls in Interior's New Accelerated Offshore Leasing Program Require Attention," EMD 82-26 (December 15, 1981).

a. Summary of subcommittee action.—These reports were used in the Subcommittee's investigation of Interior's offshore leasing program.

4. "Hazardous Waste Facilities With Interim Status May Be Endangering Public Health and the Environment," CED 81-158 (September 28, 1981).
5. "Hazardous Waste Sites Pose Investigation, Evaluation, Scientific and Legal Problems," CED 81-57 (April 24, 1981).

a. Summary of subcommittee action.—Both reports were used in the Subcommittee's investigation of EPA's hazardous waste programs. The first report was introduced into the record of the October 21, 1981, hearing of the Subcommittee.

6. "Indoor Air Pollution: An Emerging Health Problem," CED 80-111 (September 24, 1980).

a. Summary of subcommittee action.—This report has been used in an on-going inquiry into the effects of indoor air pollution.

7. "Reforming Interest Provisions in Federal Water Laws Could Save Millions," CED 82-3 (October 22, 1981).
8. "Information on the Resale of Federal Project Water Supplies by Intermediaries," CED 81-102 (May 27, 1981).

a. Summary of subcommittee action.—The Subcommittee is just beginning an inquiry into the failure of Federal water agencies to either calculate or recover the true costs of their projects. These reports will be utilized in that inquiry.

9. "The United States Synthetic Fuels Corporation's Project Selection Guidelines Need Clarification," EMD 81-129 (August 5, 1981).

10. "Unresolved Issues Resulting From Changes in DOE's Synthetic Fuels Commercialization Programs," EMD 81-128 (August 17, 1981).

a. Summary of subcommittee action.—Reports 9 and 10 were used in the Subcommittee's oversight hearing on the Synthetic Fuels Corporation on September 17, 1981. Report 10 was introduced into the record of that hearing.

11. "Economic Impact of Closing the Indian Point Nuclear Facility," EMD 81-3 (November 7, 1980).

a. Summary of subcommittee action.—The analysis of the economic cost of closing this nuclear plant was used in the Subcommittee's investigation into the causes of a shutdown of the facility.

12. "Corps of Engineers Should Reevaluate the Elk Creek Project's Benefits and Cost," CED 82-53 (March 15, 1982).

a. Summary of subcommittee action.—This report was used in the Subcommittee's investigation of the Elk Creek Project, and GAO presented testimony at a Subcommittee hearing.

13. "Evaluation of Administration Procedures at the Synthetic Fuels Corporation," RCED 83-27 (October 18, 1982).

a. Summary of subcommittee action.—This report revealed that the Synthetic Fuels Corporation had secretly approved a deferred compensation plan for its employees that may be illegal. The subcommittee and GAO are conducting an investigation of this action.

14. "Environmental and Socioeconomic Status of the Hampshire Energy Project," RCED 83-38 (October 22, 1982).

a. Summary of subcommittee action.—This report, requested by the Subcommittee, was used as part of an evaluation of the priority the SFC was giving to environmental protection.

B. OTHER REPORTS OR STATEMENTS

GOVERNMENT ACTIVITIES AND TRANSPORTATION SUBCOMMITTEE

EXPLANATORY STATEMENTS—NEGOTIATED DISPOSALS OF SURPLUS PROPERTY

During the 97th Congress, a total of 40 explanatory statements of proposed negotiated disposals (by sale, exchange, or lease) of Federal surplus property were referred to the Committee pursuant to section 203(e)(6) of the Federal Property and Administrative Services Act of 1949. (See 40 U.S.C. 484(e)(6); also 41 CFR 101-45.304-2(c) and 101-45.4919 for personal property and 41 CFR 101-47.304-12 and 101-47.4911 for real property.) Most of the transactions involved real property. Several included related personal property classified as real property. (See 41 CFR 101-47.103-13.) Transactions are made on the basis of estimated fair market value for the property's highest and best use.

Since January 1967, there have been some 500 sales to public bodies and private persons. The former constitutes about 85 percent of the purchasers. All these disposals generated nearly $340 million in proceeds.

Figures for negotiated sale disposals reported to the subcommittee should be viewed against total surplus real property sales. According to GSA-supplied data since 1967, there have been 3,248 sales in all with a total yield of $816,221,000.

In addition to the aforementioned explanatory statements, GSA submits to the Committee advance advisory letters concerning sale or lease of surplus real property under section 414 of the Housing and Urban Development Act of 1969 (40 U.S.C. sec. 484b), the purpose of which is to provide property for low or middle income housing. The statutory criterion for setting the disposal price is "fair value for use," i.e., for low or middle-income housing purposes. This results in a significantly lower figure than estimated fair market value. Submission to the Committee is based on GSA's regulations (41 CFR 101-47.308-6(f)). During the 97th Congress, the Committee received and reviewed six of such advisory letters.

In recent years, the number of explanatory statements transmitted under section 203(e)(6) of the Federal Property Act has trended downward. For example, there were 95 during the 93rd Congress, 89 during the 94th Congress, 82 during the 95th Congress, and 79 during the 96th Congress. This trend thus became particularly sharp during the 97th Congress. The chief reason appears to be increasing difficulty on the part of public bodies to fund purchases. Yet, other impediments to public body purchases by negotiation have recently been reduced. Recent Administration actions will tend to make more property available for sale. Executive Order 12348 of February 25, 1982 (47 F.R. 8547; March 1, 1982) established a Property Review Board. On the basis of a policy announced by OMB, the Board issued guidance on June 2, 1982, to limit, in general, Federal agencies from acquiring excess property for agency use, except on payment to the Treasury of 100 percent of the estimated fair market value. In a different action, the Board, acting pursuant to the Executive Order, advised GSA and all executive agencies on April 6, 1982, that proposed conveyances of surplus real property at public benefit discount should be submitted to the Board "for approval" only where the proposal has exceptional merit and the intended public purpose represents the highest and best use. Moreover, public body opportunity to negotiate a purchase at estimated fair market value has been significantly reduced. OMB advised the subcommittee chairman by letter dated April 26, 1982, that public bodies are to have first right of refusal for property sold, provided fair market value is paid.

In contrast to explanatory statements under the Federal Property Act, advisory letters concerning property disposals for low- or middle-income housing have increased sharply, up from one in the 96th Congress to 6 in the 97th Congress. GSA has processed recent applications for such disposals as not representing such public benefit discount conveyances as E.O. 12348 makes subject to advance consultation with the Property Review Board.

In addition, from time to time, the subcommittee, on its own initiative, makes advance review of proposed public-benefit discount conveyances under the Federal Property Act and related statutes where special or unusual circumstances are involved.

The subcommittee takes seriously its duty to provide advance review, which it does carefully to determine that statutory and regulatory conditions governing such transactions are observed, that the Government obtains estimated fair market value for the property, and that the transaction yields no unfair advantage to the property transferee. The law does not afford the subcommittee or Full Committee any veto over proposed disposals. The committee and the subcommittee, after the review, frequently offer comments and recommendations. Specific proposals involving significant comment or extensive review are set out below.

1. GSA Proposed Negotiated Sale of Air Force Plant No. 3, Tulsa, Okla., to McDonnell Douglas Corp.

a. Summary.—Subcommittee examination of this proposed sale continued from the 96th Congress. This is a very large facility consisting of 79 buildings with 23,349 items of machinery and equipment on 332 acres, adjacent to the Tulsa International Airport. The GSA-proposed sales price was $10.75 million.

The subcommittee, in 1979, raised three main issues regarding this proposed sale:

(1) Whether the Government was getting the estimated fair market value for the property as required by statute;

(2) Whether the transaction was in substance part of an exchange of like kind property in contravention of GSA's policy against private exchanges or in any event part of a tax free exchange, in effect diluting the Government's return from the sale;

(3) Why the large amount of "related personal property" that is apparently surplus to both the Government's or the contractor's needs has escaped processing under the normal surplus property screening program?

All of these issues were not satisfactorily resolved and on January 14, 1980, the subcommittee rendered formal adverse comment on this proposal and suggested that a new appraisal be obtained for further negotiations. GSA heeded this advice. The new appraisal fully justified the subcommittee's belief that the sales price was too low. GSA advised the subcommittee it was altering its procedures for appraisals and estimating special use value in future major plant sales. Further negotiations with the corporation were begun.

On December 18, 1980, GSA wrote the committee that MCD had advised GSA of its decision not to purchase the plant and that GSA had consequently terminated its efforts to sell the property. The subcommittee responded on January 2, 1981, reemphasizing that GSA had no lawful alternative to terminating negotiation efforts, inasmuch as the proposed price appeared to be serveral million dollars below GSA's own revised estimate value. The plant, of course, continues to be operated by MCD as a leased Air Force facility.

b. Benefits.—The subcommittee review and advice, the last check on the proposal, prevented a large facility from being sold for substantially less than actual fair market value. Revised procedures for estimating special use value should result in more reliable evaluations in future sales of this type. The case has demonstrated the need for great care on the part of GSA in making an initial determination of estimated fair market value, since in such cases as this, renewed bargaining after a reappraisal can be severely handicapped by the prior negotiating circumstances.

2. Proposed Negotiated Sale of Federal Interest in Certain Land in the Minidoka, Idaho, Federal Reclamation Project.

a. Summary.—This was a proposed sale by negotiation with the lessee, namely a private person, the Amalgamated Sugar Company. The Federal tracts in question had been used by the company to build grain elevators, potato storage facilities, sugar beet dumps, and a migrant housing project, from 1955 to 1965. The lease called for removal of the privately-owned improvements within 60 days of terminating the lease, otherwise title would vest in the U.S. GSA sought to justify the negotiation on the ground that present here were unusual circumstances making it impractical to advertise publicly for bids. GSA explained that Bureau of Reclamation personnel had actively encouraged the lessee to build the structures on the leased land with assurances that the Bureau would either convey the land to the lessee under its own authority or obtain special legislation. Since both approaches reportedly had proved unsuccessful, the Bureau solicited GSA's support to negotiate the sale under the Federal Property Act.

GSA clearly implied that the Government officials' representations however much unauthorized, should be a factor. GSA pointed to what it regarded as unfairness should the lessee actually have to bid to buy back the improvements built at its expense.

The subcommittee responded on October 23, 1980, and after reviewing GSA's reply of January 13, 1981, it again advised GSA that consummating this transaction would be without proper legal justification and would create a precedent. It took issue with conclusions that advertised sale would be impractical and that the factors portrayed substantial unfairness. GSA replied once more on May 22, 1981, stressing again the element of fairness as a basis for the sale. The subcommittee replied on July 7, 1981, emphasizing that the lessee knew precisely that he was building on Government land and that there was a question as to how improvements could be transferred to it. It was not the victim of a mutual mistake of fact. The subcommittee repeated its recommendation that the proposed sales not go forward. GSA advised on August 21, 1981, that it had withdrawn the explanatory statement and would proceed to dispose of the property "in some other manner."

b. Benefits.—This case should strengthen GSA's hand in dealing with other agencies seeking irregular or unorthodox negotiated disposals of surplus property for their own convenience, irrespective of the strict letter of the statutory and regulatory law. Relief for private persons, based on equitable estoppel, is rarely, if ever, an available remedy where the Federal Government is concerned. (See GAO decision B-196476, May 9, 1980, quoting from *Utah Power & Light Co.* v. *U.S.* 243 U.S. 389 (1917): ". . .the United States is neither bound nor estopped by acts of its officers or agents in entering into an arrangement or agreement to do or cause to be done what the law does not sanction or permit." This case again reminds the subcommittee and GSA that they must be ever mindful of the caution expressed in H. Rept. No. 1763, 85th Congress, to accompany the bill relating to the new negotiation restrictions: "It is apparent that negotiating authority should be exercised sparingly and only in those instances where it would clearly be in the best interest of the Government. Even in the use of negotiating authority, it is expected that regulations promulgated by the Adminstrator of General Services will require as much competition as is feasible and indicate a positive effort to obtain the best price for the property in its highest and best use."

In February 1982, GSA announced that it had sold the parcels involved at public auction. Proceeds were $259,700, as contrasted to the $194,000 total under the proposed negotiated sale. One 5.61-acre parcel, which the original proposed purchaser, the Amalgamated Sugar Company, was to have paid $15,000 for, was sold to another firm for $50,000. Thus, subcommittee review resulted in an overall gain for the Treasury in this case of $65,700.

3. Sale of Air Force's Heavy Presses and Forges.

Eight companies, as Air Force contractors, operate Government-owned heavy press equipment for forging or extruding aluminum, titanium, and steel alloys. The Air Force wants the contractors that lease this equipment, and in some cases, the plant itself, to purchase the properties. The equipment, some of it huge, is uniquely effective in producing high-strength aircraft parts. Almost all large commercial aircraft and large or high-performance aircraft of the Air Force use parts made with this special equipment. Its size and the impracticality of moving it, its criticality to the use and the value of much related equipment at the companies' plants, its being commingled with company-owned equipment, and the essentiality to defense needs of continued production, together make it virtually impossible to dispose of this special equipment and the related machines to any contractor other than the one in possession. Nevertheless, most of the eight companies have been very interested in acquiring the property from the Government. GSA has had the property duly appraised and has sought to enter into negotiations for the sale to the contractor-lessees. The Air Force has prompted these attempts because of a long-standing DOD policy to dispose of virtually all of its industrial plant equipment and facilities, thus relieving itself of the obligation to maintain, rehabilitate, control, and account for the property.

The efforts to sell began in the early 70's. They made little progress mainly because of disagreement on price. GSA's valuations take into consideration what is called "special use value," that is, value to the user in possession. The companies have regarded GSA's valuations as too high. Air Force personnel implicitly and sometimes explicitly have shown support for a lower valuation, arguing that disposal is so much in the Government's interest that a lower price can be justified by that factor. Because of the Air Force's apparent tilting toward the contractor's position, GSA has found its credibility and effectiveness as the Government's negotiating agent difficult to maintain.

In 1979, efforts began to pick up the lagging negotiations. The Air Force amended the rental agreements to impose considerably higher rents. (The GAO had found as far back as 1972, that the rents under the leases to these contractors were too low and were giving them a competitive advantage.) However, the higher rents were suspended soon after, on condition that the contractor state its intention to purchase the property, but subject to retroactive application of the higher rents if the purchase was not completed by September 1983, except where the reason was the Government's bad faith or fraud. The possibility that GSA might be charged with bad faith in conducting negotiations where it insisted on a price that the contractor regarded as wholly unrealistic could weaken the threat of higher rents. Other factors showing the ineffectiveness of this so-called "incentive to encourage sale" are discussed below with respect to the Arcturus Company case.

The leases also provided that the lessee should have the first right to buy the property if the lease should be revoked in order to sell the property under other law This would tend to discourage other potential offerors in the event of a competitive sale.

In addition, where the Government did not own the plant (5 cases), it was obligated, on termination of the lease, to remove the equipment and restore the premises, or if not that, abandon it in place. Since removal and restoration costs of much of the large equipment are very high, the Government's hands were partially tied: A threat to terminate the contract would be unconvincing, since interruption of plant operations would hurt defense production. In any case, removal costs would make abandoning much of the equipment the only practical GSA/Air Force choice.

Finally, a serious gap in GSA and DOD regulations created confusion as to types of equipment the Air Force may properly sell through the so-called "plant clearance" procedures used to dispose of contractor inventory. (See 32 CFR Parts 1-39, containing DAR section XXIV.) The Federal Property Act has specific provisions dealing with contractor inventory, defining it in section 3(k) and providing an agency to authorize a contractor to retain or dispose of it, subject to GSA regulations (section 203(f)). The Air Force has used plant clearance procedures to dispose of property by negotiated sale, sometimes to contractors in possession. It is of the same type as property which, in other cases, the Air Force has declared excess for the purpose of having GSA negotiate its sale to the contractor in possession. Sometimes the Air Force will ask GSA to take property off the GSA sales list and return it to the Air Force for inclusion on its plant clearance list. Although efforts had been made to plug this gap, a major abuse occurred in December 1980 with the plant clearance disposal of heavy presses at the Martin-Marietta Aluminum Company. (See infra.) Remarkably, the problem lay exposed since at least November 19, 1970, when the Defense Department's General Counsel stated: ". . . there is no existing disposal authority that is adequate to support a Defense program which seeks to dispose of Government-owned industrial equipment on a negotiated basis to contractors in possession of such property and at whose plants the property is located . . ."

The regulatory and managerial thicket described above demonstrates the difficulty that both GSA and the subcommittee have had in carrying out their responsibilities in connection with the disposal of surplus property pursuant to the Federal Property Act.

During the 97th Congress, the subcommittee reviewed explanatory statements or other proposed negotiated sales for five of the eight heavy press-forge plants: Arcturus Manufacturing Corporation, Oxnard, CA; Martin-Marietta Aluminum Company, Torrance, CA; Kaiser Aluminum and Chemical Company (Air Force Plant 50), Halethorpe, MD; Air Force Plant No. 50, leased to Wyman Gordon Co., North Grafton, MA; and Air Force Plant No. 47, leased to the Aluminum Company of America, Cleveland, Ohio. Subcommittee review included onsite inspections of all plants except that of the Arcturus Company.

The next five disposals covered in this section deal with these special heavy press-forge properties.

4. Negotiated Sale of Air Force Plant No. 50 to Kaiser Aluminum and Chemical Co., Halethorpe, Md.

a. Summary.—This sale of land, buildings and 1,289 items of machinery and equipment was consummated in March 1981 for the sum of $6,500,000. The subcommittee commented on the proposal February 27, June 4, and September 14, 1981. While it did not raise adverse comment, it criticized several aspects of the proposal: insufficient coverage of significant matter in the explanatory statement, including failure to identify it as, in effect, a credit sale on nonstandard terms and the rental consequences of the sale's not being consummated before September 30, 1983; the only slight correspondence between the appraiser's updated special use value and the sales price; and that the GSA's negotiations were encumbered by other Government agency influence.

b. Benefits.—The review and comments appear to have strengthened GSA's hand, in general, to get recognition of special use value as the basis for the estimated fair market value. Also, GSA began and is continuing serious discussions with DOD to clarify the role and responsibility of each agency in such transactions. Further, non-standard credit terms for negotiated sales of industrial property presumably will be justified in detail, if used at all.

5. Installed Machinery and Equipment, Arcturus Manufacturing Corp.

a. Summary.—The explanatory statement for this proposed disposal was received in September 1981. It covered 18 items of leased machinery and equipment at the Arcturus Manufacturing Plant in Oxnard, California. The special equipment included five power drop hammers of from 8,000 to 50,000 pounds capacity. The subcommittee's letter to GSA of October 26, 1981, did not recommend delay and the sale was concluded. The subcommittee noted in the explanatory statement that, absent successful negotiations before September 20, 1983, the contractor was to face a penalty charge in the form of paying a theretofore deferred higher rental. The subcommittee criticized GSA for not quantifying the higher rental that would become due in such circumstance, asking that GSA and DOD prepare a tabulation of the values for such potential penalty rent-increases. On January 25, 1982, GSA provided an Air Force approximation of $375,000. It was contained in an Air Force letter of January 5, 1982, to GSA stating that any actual increases would have been subject to negotiation; that inconsistencies in the terms of the various heavy-press leases would have led to disparate increases among companies, claims of inequity among them, and possibly litigation; and that the Government's resort to higher rent penalties might be resisted by a company in court contending that the Government had not negotiated in good faith. This incentive device was thus revealed as a mere filament and not a strong line to lead the contractor.

b. Benefits.—The case brought out even more clearly the need for GSA and DOD to work together to eliminate from the entire disposal undertaking all unnecessary handicaps to GSA's negotiating capability.

6. Heavy Press and Other Installed Machinery, Martin-Marietta Aluminum Co.

a. Summary.—This proposal involved sale of 345 items of machinery and equipment in the company's plant at Torrance, California. No explanatory statement was received by GSA. This case proved difficult and complicated, and was jointly reviewed with the Legislation and National Security Subcommittee. It entailed misuse of plant clearance procedures to dispose of heavy press equipment, continued involvement of the Air Force during GSA's negotiations, an apparent misuse of the so-called plant-clearance procedure to dispose of heavy press equipment, and inadequate coordination between GSA's regional office conducting this particular disposal and GSA's central office. Price was the issue. The company assigned and stuck to an arbitrary amount for payment of the property irrespective of what GSA and its appraisers had determined was the estimated fair market value.

The Air Force decided to withdraw the property from GSA in July 1981. It then attempted to submit to the full committee on July 16 its own explanatory statement. Its authority to do so was questioned by the subcommittee. The Air Force later withdrew the explanatory statement and returned the property to GSA. GSA's central office then reopened negotiations with the company but made no progress, returning the property to Air Force on December 10, 1981, as not disposable. GSA suggested in this case that Air Force might effect the transfer as an incident to terminating the facilities contract, citing 41 CFR 101-47.309, but cautioning that this approach should not become a precedent. The Air Force, following that lead, disposed of the property for $1,712,000, the company's own arbitrarily arrived at figure and well below GSA's special use value.

The company argued that the Goverment had only two choices: Accept its figure or abandon the equipment in lieu of incurring the very high cost of removing it and restoring the company's plant. Its position was enhanced by what the Air Force had sold to the company by plant clearance procedures in December 1980. This included certain large presses and other large items, such as one 14,000-ton extrusion press, costing $8.5 million. Such hugh equipment is plainly real property and a fixture, not subject to plant clearance. That the Air Force was able to withdraw such property from surplus can be attributed to a lack of coordination between GSA's regional and central offices. In addition, the Air Force lease did not provide for retroactive imposition of higher rentals in the event sale was not accomplished before September 30, 1983.

On January 25, 1982, the Full Committee Chairman and the Subcommittee Chairman sent joint letters to the Air Force and to the GSA. They expressed criticism of the manner in which both the Air Force and GSA have handled this disposal and cautioned them to avoid future situations where the Government could not effectively negotiate. They also sought assurances for the committee that the lease-termination approach to disposal of surplus property employed here must not be regarded as a precedent. The Air Force replied on March 18, 1982, that it did not and would not consider the transaction as a precedent for any future sale. Yet, the letter reiterated the Air Force's view that "in some cases an unrealistic sale price may be established because of real and perceived constraints imposed by statute and precedent." It also urged "greater flexibility" for GSA. However, it twice declared that the Air Force was seeking to improve communiciations and interactions with GSA to enhance cooperation.

b. Benefits.—The confused, irregular handling of this case by both GSA and the Air Force accelerated the dialog between the two agencies needed to bring about their effective coordination. Movement in this direction was evident in GSA's letter of May 29, 1981, and in its letter of December 10, 1981, in which GSA signaled the possibility of revising its regulations with respect to equipment disposals in such cases as this. As discussed above, the Air Force on March 18, 1982, indicated it was also seeking improved coordination

7. Negotiated Sale of Air Force Plant No. 47 to Aluminum Company of America.

a. Summary.—This heavy press facility is located in Cleveland, Ohio. It consists of 30 acres, seven buildings, and 955 items of IPE and other plant equipment (OPE). It is located adjacent to a larger, company-owned portion of the company's Cleveland works. The proposed price was $13,300,000 cash. The plant contains a massive 50,000-ton hydraulic forging press, one of two in the United States. Subsidiary to it are a 35,000-ton forging press and other equipment items. A subcommittee site inspection was conducted January 6, 1982.

In June 1981, cracks developed in part of the larger press, which limited its capacity. Repair cost was estimated at $8 million. This caused suspension of negotiations and led to lowering the proposed price.

During subcommittee review, the subcommittee heard complaints from certain persons in the forging industry that the price was too low and that the disposal should be competitive. After the appraisal, GSA had made its own market analysis generally supporting the appraiser's valuation. The subcommittee had no substantial reason to question this analysis. Also, it recognized the impracticality of any competitor's operating a facility essentially part of Alcoa's larger complex. Moreover, had a different company been considered for ownership, the subcommittee understands, the Air Force would have sought to have the property withdrawn from sale and surplus in order to assure continuance of the special defense production capability the plant provides.

On February 22, 1982, the subcommittee wrote GSA that it had finished its review and offered no adverse comment. It did, however, discuss the appraisal report's weakness in (1) not providing enough corroborative detail with respect to determining accrued depreciation and reproduction cost-new, (2) grouping 679 items costing less than $1,000 into categories and lots that were appraised in bulk without explanation of methodology (such items, if not in use by the contractor, should be considered for other Federal agency use or donation under existing programs), and (3) not distinguishing for purposes of appraisal between the IPE and 118 items of OPE costing over $1,000. The subcommittee also questioned the failure to consider an extension of the standard period of 5 years during which the acquiring contractor is required to preserve the plant's existing defense production capability. Estimates are that repair of the 50,000-ton forging press will require it to be shut down for as much as a year early in this 5-year period. GSA's response of April 29, 182, detailed the approach by GSA's reviewing appraiser in obtaining support for value conclusions. It noted continued efforts to gain compliance by the Air Force with the September 10, 1980, memorandum of agreement concerning common-use items. It added that GSA is concerned about proper appraisal treatment of items costing under $1,000, including those designated as OPE. It concluded with its conviction tht Alcoa would retain defense production capability for a period much longer than the national security clause provision.

b. Benefits.—This case should further emphasize to GSA the need for thoroughly informative appraisal reports, whose need is particularly great where competitive interest in purchasing a facility is expressed with claims that GSA has undervalued the property.

8. Negotiated Sale of Air Force Plant No. 63 to the Wyman-Gordon Co.

a. Summary.—This extensive heavy-press facility is located at North Grafton, Massachusetts. It consists of 231 acres, 18 buildings, and 2,901 items of IPE and OPE. The proposed price was $34,450.000. The original acquisition cost was $81 million. The plant contains a massive 50,000-ton forging press, one of two in the United States. It also houses a 35,000-ton forging press along with other subsidiary equipment. On February 23, 1981 (before GSA had completed negotiating with the company) the site was inspected by representatives of this subcommittee and the Legislation and National Security Subcommittee.

On April 1, 1982, the subcommittee received GSA's explanatory statement. Preliminary subcommittee review had been carried on for some time before. On April 29, 1982, the subcommittee requested supplemental information: (1) Clearer justification for the proposed price's not meeting the contract appraiser's estimate of special use value to the user in possession; (2) specifics as to the high cost of improvements needed to alleviate environmental problems, which GSA only generally referred to as "the subject of a separate agreement between the company and the Air Force;" (3) a plan to accept, under section 204(f) of the Federal Property Act, titanium sponge, a strategic mineral, in lieu of cash as the method of payment; and (4) the possibility of competitive disposal of Plant 63.

The issue of the environmental cure costs was tackled by the subcommittee after it obtained a copy of the Air Force-company agreement. To its surprise, it was learned that the estimated cost to cure was in reality closer to $25.3 million than to the $12 million which a 1981 company document had estimated. Moreover, the Air Force-Wyman-Gordon settlement agreement committed the Air Force xo pay the company $20.8 million merely for "indemnification" purposes, without any requirement that the company use the money for construction of the corrective improvements. There was only a nonobligating statement of company intent. A May 10, 1982, opinion of the American Law Division, the Congressional Research Service, confirmed the solely indemnificatory effect of the agreement. At the subcommittee's urging, GSA approached the Air Force and secured an amended settlement agreement, obtaining a company commitment to expend the funds for curative works through a modification of the Air Force-company lease which would continue in effect pro tanto for purposes of the company's carrying out the environmental cleanup.

GSA responded on May 17, 1982, to the subcommittee's information requests. On price, it merely stated that the price was the highest it could get and was the company's "final offer." On other competitive interest, GSA stated that proprietary production processes and the need for other expenditures would make the property less valuable to a competitor than to Wyman-Gordon.

On June 8, 1982, GSA formally advised the subcommittee that the plan to receive titanium sponge in an amount equivalent to the cash price was dropped. The subcommittee had protested to GSA on May 26 that GSA officials had been noncommittal about the payment in kind. The Full Committee Chairman had advised GSA on May 27, 1982, that the contemplated payment-in-kind under section 204(f) appeared in conflict with other procedural requirements not yet complied with. He urged further time for committee review of the proposed transaction. On August 23, 1982, GSA supplied further rationale for its accepting the final offer and for concluding it could not be sold competitively unless the Air Force would concur, according to GSA an unlikely eventually.

b. Benefits.—The Government obtained assurance that the $20.8 million payment for environmental cure would, in fact, be spent for that purpose. Also, GSA was deterred from attempting a payment-in-kind transaction under section 204(f) without any prior precedent, without prior advice to the committees and to the Justice Department, and without any established guidelines or procedures for such a transaction.

9. Former Miltiary Ocean Terminal, Brooklyn.

a. Summary. This was a proposed negotiated sale to the City of New York of the Government's interest in 97 acres and 44 buildings of the former Military Ocean Terminal to the City of New York for industrial use. The original cost was $8.6 million for land (1918–1944) and $39 million for improvements (1919–1953). In this case, GSA's regional and central offices did not present a sufficiently united and coordinated front to give the agency full credibility as the Government's negotiator. Negotiations began in 1976, with a GSA asking price of $17,000,000. An upated appraisal reduced this substantially. GSA then set its asking price at $10.4 million. The city countered with $6.5 million, which the regional office accepted as representing fair market value, forwarding the proposal to Washington. The central office rejected the figure and called for a new contract appraisal. That second appraisal, however, was not made. There was opposition to the delay it would cause. There was merely an internal GSA reevaluation. The city then offered $8.5 million. This was accepted and the proposal was sent to committee. Examination of the record in the case disclosed evidence of attempts to bring political pressure on GSA.

The subcommittee wrote to GSA on February 9, 1981, that while it did not raise adverse comment, it was not satisfied with the Government's negotiating activities. The regional office's decision to go substantially below the appraisal price was a deviation from standard practice and should not have been made without full prior consultation with the central office. The GSA Handbook dealing with sales to public agencies calls for vigorous negotiations to attain the highest possible price, but not less than the appraised fair market value.

b. Benefits. As a result of this, and certain other cases, GSA has taken steps to assure that delegations of authority to regional administrators are not exercised in the exceptional cases without full coordination with the central office, whose reviews should lead to rejection or substantial delay in a minimum of circumstances.

10. Electrical Distribution System, Ellyson Field, Pensacola, Fla.

a. Summary.—This system, at the Naval Education and Training Center, was to be purchased by the Gulf Power Company for $23,000. The acquisition cost was $514,000 (1942-1968). Subcommittee review of the appraisal report revealed deficiencies and omissions in the report, which were outlined by letter to GSA dated February 12, 1981. GSA's April 27 response affirmed the inaccuracies. GSA renegotiated with the company, which agreed to pay $36,000.

b. Benefits.—Besides the additional $13,000 in sales proceeds, GSA has been alerted to the need for better and fuller appraisal treatment of base utility systems, which tend to be submerged in the overall appraisals of the total property.

11. Naval Education and Training Program Development Center, Ellyson Field, Pensacola Fla.

a. Summary.—This was a proposed negotiated sale of 589 fee acres plus easements and 65 buildings and improvements to the Pensacola-Escambia Promotion Development Commission. The proposed price was $3,000,000. The transaction included credit terms of 10% down and 20 years to pay. Such terms are nonstandard, and under GSA's regulations (40 CFR 101-47.304-4) require a detailed written justification by the Administrator of General Services. The subcommittee review determined that not only was there no specific finding by the Administrator but the basis for these extended terms was simply a letter to the GSA region from the Development Commission. The subcommittee on April 7, 1981, requested that in future cases of nonstandard credit terms, GSA furnish the detailed statement called for in the regulations.

b. Benefits.—According to GSA's letter of April 30, 1981, future cases involving nonstandard terms will be explained fully to the subcommittee and on the basis of findings of the Government rather than on a report of the purchaser. Restricting the use of terms, moreover, is already consistent with the policy set out in GSA's own Handbook. Hence, GSA will in the future, tend to follow its own rules more closely in this matter.

12. Portion of Former U.S. Naval Auxiliary Air Station, New Iberia, La.

a. Summary.—The property includes 17 acres of unimproved land, to be sold at a price of $180,000 to the Police Jury of Iberia Parish. The land abuts the Acadiana Regional Airport. The issue in the case was whether the proposed sale included proper conditions to protect the navigable airspace above the land from potentially hazardous structures. The need to provide for such protection in sales of certain surplus properties was the subject of a committee recommendation in House Report 95-1053 "FAA Determination of 'No Hazard' for Structures Near Airports." The subcommittee wrote GSA about the matter on September 25, 1981.

b. Benefits.—The subcommittee is advised that FAA and GSA have now worked out improved language to be used in the transfer of such properties, language which will cover the full scope of the committee's recommendation. It will give original and positive protection to the lands, rather than being essentially advisory through public notice and participation when specific structures are proposed.

13. NCO Family Housing Area, Richards-Gebauer Air Force Base, Mo.

a. Summary.—The property consisted of 138 acres with 374 housing units of 2 to 4 bedrooms. The proposed purchaser was the City of Belton, Missouri, at a price of $4.4 million. The city purchased the property for purposes of resale to six private purchasers. This represents a so-called "pass through" transaction, from the city to a developer. The property was in good condition and obviously marketable. Subcommittee review found little evidence that GSA engaged in vigorous price negotiation with the city. Controlled development by the city is obviously in the public interest and GSA's evaluation necessarily would take this into consideration. But the need to prevent the Federal Government from, in effect, providing a discount to local Governments and then to developers in the case of a negotiated sale did not appear to have moved the Government's negotiators strongly in this case.

While not raising adverse comment, the subcommittee on September 24, 1981, criticized the fact that even in the face of a higher appraisal figure, GSA resumed negotiations without raising its asking price. The subcommittee wrote GSA on September 25 that where a city is seeking developers from which the city's purchase money would come, it should be made to realize it must use resourcefulness and vigor to get competition among developers, knowing that GSA is required to negotiate on the basis of estimated fair market value.

b. Benefits.—As a result of this case, the excess profits clause that GSA employs in "pass through" transactions has been made tighter and more inclusive. Such clauses are intended to prevent a city from buying from GSA low and selling to the private sector high. Under the clause, "excess profits" from any such resale during the first three years must be returned to the Government. It is expected that the subcommittee's continued emphasis on vigorous price negotiations, particularly in this type of transaction, will strengthen GSA's position and stimulate it to act with firmness and full authority.

14. Former Craig Air Force Base, Selma, Ala.

a. Summary.—This property consists of 197 acres improved with 372 buildings, including a total of 525 housing units. The Craig Field Airport and Industrial Authority was the proposed purchaser at a price of $2.5 million. The case presented an unusual and awkward situation: The explanatory statement was represented to the committee as essentially the terms of a stipulation in settlement of a claim in U.S. District Court against the United States based on the City of Selma's dispute as to the Government's ownership of a large part of the property. The District Court had requested an advisory opinion from the Supreme Court of Alabama, which sided with the city and held that the city had been without authority in 1950 to remove, by a second deed to the U.S., a reverter clause in an earlier deed. The city's removal of the reverter had been a precondition to the Air Force's undertaking additional development of the base. The proposed price was considerably less than the estimated fair market value of the land without reference to the city's claim.

The stipulation provided that if there should be adverse comment from the committee, the court would proceed to trial, with some likelihood the city's claim would be validated. The subcommittee's position as a reviewing authority was therefore limited. Effective comment could be made only on peril of precipitating a trial with potentially damaging results to the Government's interest. Besides the abnormally low price for the property in question, the city and the authority had already obtained from the U.S. substantial portions of the base without cost, e.g., a 206-acre golf course and a 1,790-acre airfield and facilities. In addition, the settlement included liberal, non-standard credit terms.

The subcommittee expressed strong reservations about the way the entire transaction had been handled. In its letter to GSA of June 22, 1981, it abstained from raising adverse comment but made clear the general unacceptability of such restraints on its statutory function. It also requested GSA to seek assurances from the proposed purchaser of conforming to GSA standard policy as to excess profits.

b. Benefits.—It is expected that in future GSA will avoid presenting to the committee cases with circumstances that negate or seriously hamper the purpose and effectiveness of its review.

15. Installed Machinery and Equipment, Goodyear Aerospace Corp.

a. Summary. This proposal involved 37 machines and 310 items of miscellaneous office furniture, to be sold to Goodyear Aerospace Corporation, Litchfield Park, Arizona. The proposed price was $200,000 for property originally costing $588,258. The case posed unusual difficulty. The appraisal report and two updates were not only casually prepared but provided with no basis for the valuations other than the appraiser's unsubstantiated opinion. The original appraisal was based on 75 pieces of machinery and other property, all costing $1,017,707. The updated appraisal gave a value for the 37 pieces of machinery that was lower by approximately two-thirds over the appraiser's estimate of a year before for the property concerned. Morevoer, it appeared that Goodyear itself had sought and obtained removal of the 38 equipment items from the original list; yet it was prepared to purchase some of them at public sale, according to a company offical during the subcommittee's on-site inspection.

The subcommittee sent GSA detailed questions on March 4, 1981. GSA's replies of May 29, 1981, and August 28, 1981, did not provide all the needed information for a full understanding of the appraisal and the "selecting out" process, whereby the 38 items were removed. On June 11, 1982, the subcommittee concluded its review without adverse comment, but discussed in detail the appraisal reports' imprecision and internal inconsistencies. It sought further information about contractors' selling plant equipment for DOD as part of plant clearance. It specifically asked why a September 10, 1980, memorandum of agreement between GSA and the Air Force was not being followed. It has stipulated that large amounts of furniture and other common-use items would not be included, that purchasers would not be allowed to pick and choose equipment, and that once a property listing is furnished GSA for negotiated sale, it will be "frozen."

On September 24, 1982, GSA responded to the June 11, 1982, letter. It stated that GSA had developed better criteria for appraisal solicitation and was continuing efforts to get more nearly uniform and better supported appraisals. It added that efforts to make the 1980 memorandum of agreement more effective were showing positive results. It also stated that in July 1982, GSA amended its regulations to preclude future disposals of plant equipment by the Air Force to the using contractor (41 CFR 101-47.302-2(a)(2); 47 F.R. 33093; August 5, 1982).

b. Benefits.—GSA reemphasized its commitment to obtaining sound appraisals properly reported and to asserting strongly its statutory role as the full and unencumbered negotiator for disposal of surplus property.

16. Installed Machinery and Equipment, Cleveland Pneumatic Co.

a. Summary.—The property consisted of 44 pieces of metal working machines and miscellaneous production equipment for making landing gear assemblies. The price proposed for sale to the company was $1,326,000 on credit terms: 50 percent down and payout of the rest over five years. Subcommittee inspection of the company's Cleveland plant was made January 8, 1982.

Review was concerned with three problems: Lack of clarity in the appraisal report and updates; the use of credit terms; and apparently 92 items of Government-owned industrial plant equipment (IPE) that were excluded from the sale. On April 1, 1982, the subcommittee addressed a detailed critique of the proposal, asking for explanation of anomalies in the appraisal documents, fuller justification for deviating from the standard policy of all cash transactions, and explanation of why the Air Force permitted the company to buy only those items it wanted, yet to continue using, over a 10-year phaseout lease period, the remaining Government items, which were not excessed and turned over to GSA for disposal.

GSA responded July 13, 1982, saying it was working with the Air Force to improve effectiveness of the agreed policy to limit a contractor's "picking and choosing" the items for purchase. It also reported that the company had agreed to change from the credit sale previously proposed to an all-cash transaction. The letter, however, did not explain the inconsistencies in the appraiser's methodology and an apparently contrived and artificial basis for calculating replacement cost of the items. GSA was asked to go back to the appraiser for clarification, absent which, the subcommittee would feel compelled to propose the matter be referred to GSA's Inspector General. However, because the appraiser's field notes were examined by GSA for supportive data, the subcommittee did not raise adverse comment. GSA responded on September 24, 1982, that it was getting better contract appraisals and better cooperation from the Air Force on not allowing contractors to "pick and choose." It emphasized the new regulation (41 CFR 101-47. 302-2(a)(2)) to preclude "plant clearance" sales of IPE to the using contractor. However, GSA advised it has not been able to obtain from the appraiser the requested clarification of his calculation of replacement cost.

b. Benefits.—GSA is more aware of the necessity to insist on appraisers who will provide a proper final product. The subcommittee has strenghened GSA's all-cash policy, in sales of this type especially. The greater Air Force and GSA cooperation should result in fewer partial sales of Government-owned IPE in contractor-owned plants.

17. Federal Reformatory Reservation, Chillicothe, Ohio.

a. Summary.—This was proposed as a sale to the State of Ohio of the Federal Reformatory Reservation and a portion of the Veterans' Administration Hospital Reservation, Chillicothe, Ohio, to the State of Ohio. The Reformatory Reservation consists of 1,362 acres and 120 building. The Veterans' Administration Reservation comprises 9 acres of unimproved land. The proposed price was $8.5 million, cash. (Some 3,000 items of personal property were to be disposed of separately by GSA.)

The land has considerable archeological significance. Partly for this reason, a restriction will require it be used for agricultural purposes. The State, which previously held the land under lease, would farm the agricultural land to provide work and agricultural products for the State penal system.

Subcommittee review indicated the price and other terms and conditions were satisfactory. On March 23, 1982, the subcommittee indicated it had no questions.

GSA experienced, however, delay in bringing the transaction to a close. The State requested a delay in connection with funding the purchase. GSA periodically sought to close the transaction. The State's earnest money deposit remained as GSA's security for completion of the sale. Legislative efforts were made to provide the State a possible rebate of the purchase price. This was done as an amendment to S. 1422, a bill to authorize donation of surplus property to State and local governments for correctional facility use, and a bill, H.R. 6302, designed to modify H.R. 6207 in the same way.

Nevertheless, the subcommittee requested GSA to keep it apprised of the status of the sale. On September 16, 1982, GSA advised that it had closed the sale August 27, 1982, with a check from the State.

b. Benefits.—The case represents an example of effective GSA preparation and negotiation, which presented the subcommittee an opportunity for easy and speedy analysis for its review, in the interest of obtaining payment to the Treasury at an early date, the latter delayed here by circumstances largely beyond GSA's control. GSA will provide both Federal-use screening and then Federal donation program screening for the personal property, as it advised in its letter of April 29, 1982.

18. "King's Warehouse Site," Alexandria, Va.

a. Summary.—This proposal involved sale of the so-called "King's Warehouse Site," in "Old Town," Alexandria, Virginia. The property consists of 1.15 acres, without Government improvement. The purchaser was the City of Alexandria, and the agreed price, $1.5 million cash.

The City has occupied the site as a parking area since 1969. A lease arrangement permits the Government, in exchange, to occupy 50 covered parking spaces owned by the City elsewhere. The current arrangement is merely a tenancy as sufferance, the original lease having expired in 1974.

Negotiations for sale of the property to the City began in 1979. The City and GSA's regional office representatives had initially determined on a price of $925,000. Processing at the regional level was not completed immediately. During this period, the City reportedly sought to obtain the property through the Interior Department without reimbursement for park and recreational purposes. However, this did not materialize. When GSA, pursuant to its standard appraisal-updating procedure, obtained a current appraisal, the value had appreciated substantially. The City objected to GSA's insisting on the current valuation as the basis for the price. However, the transaction had never received the approval of the Administrator as an explanatory statement to be sent in advance of disposal to the Congressional committees as required by law. The subcommittee in 1981 was informally requested to intervene on behalf of the City, but declined to do so. GSA and the City agreed eventually on the $1.5 million figure, but the City expressly saved itself opportunity to press a claim based on the alleged existence of a valid agreement as to the lower price.

The subcommittee, after review of the case, did not offer adverse comment but questioned GSA about (1) acceptance of less than the

10 percent earnest money required by GSA guidelines (The subcommittee had raised the same issue in a letter of July 30, 1982, to GSA concerning sale of a portion of Paine Field, Washington, wherein only a 5 percent bid deposit was accepted on a $1.3 million sale), (2) GSA's failure to include an excess-profits clause, and (3) continuing the lease to the City for 8 years under a tenancy at sufferance, which disposal, of course, was not made the subject of an explanatory statement to the Congressional committees. On November 6, 1982, GSA responded that it had determined to accept the original earnest of $92,500 in the light of the individual circumstances of the case. It would not consider the lesser amount acquiesced in here as a precedent for future cases. It explained that no excess-profits clause had been employed because the City had stated that the property would be used for a "public parking facility."

GSA conceded that no explanatory statement had been sent with respect to the holdover tenancy. The subcommittee, writing on November 10, 1982, pointed out that use of the site for profit-making purposes by leasing or selling it to a developer for parking purposes would appear to be a possibility; hence an excess-profits clause, which GSA had actually included in its original proposal, would have been a useful security to the Government. The subcommittee requested information about other possible tenancies at sufferance involving surplus property.

b. Benefits.—GSA will give greater attention to avoiding situations potentially involving a departure from its minimum earnest-money deposit of 10 percent of the proposed purchase price. GSA's need to consider the excess-profits clause in potential profit-making situations has received greater emphasis.

19. Surplus Property for Housing, Baudette Air Force Station Family Housing Area, Baudette, Minn. (Section 414).

a. Summary.—Although the Federal Property Act does not require review of this transaction, the committee and GSA operate under a March 4, 1970, arrangement whereby the committee receives such proposals in advance from GSA. Disposal authority is section 414 of the Housing and Urban Development Act, (40 U.S.C. 484b) which permits GSA to transfer surplus real property suitable for low and middle income families to DHUD, which may sell the property at a price specially arrived at to a public or a private developer. The purchaser must develop and assure use of the property for the stated purpose.

The property in the instant case consisted of 6 acres of land improved with 19 housing units. The proposed purchaser was the Baudette Housing and Redevelopment Authority, at a price of $390,000, DHUD's estimated "fair value" for the special use of low or moderate income housing. In its advisory letter to the committee dated October 6, 1980, GSA had adopted DHUD's valuation. Subcommittee examination showed the DHUD valuation report devoid of backup. GSA's Regional Appraiser, however, had noted DHUD's failure to supply the appraisal work copy. On December 1, 1980, the subcommittee wrote GSA stressing GSA's responsibility as the disposal agency to have full justification for the DHUD valuation.

GSA subsequently obtained from DHUD the necessary data on which it could base a decision to transfer the property.

b. Benefits.—As a result of this transaction, GSA and DHUD have improved the working relationship needed to expedite the dual agency review of such cases.

20. Housing Tracts, Blaine Air Force Base, Wash.

a. Summary.—The property consists of two separate tracts comprising 15 acres with houses and duplex units for 48 families. The proposed purchaser was the Bellingham/Whatcom County Housing Authority. The price (the Department of Housing and Urban Development's (DHUD) estimated fair value for use) was $729,000.

Writing to GSA on February 10, 1982, the subcommittee, while not offering adverse comment, posed questions about price determination and about the need for better GSA-DHUD coordination. GSA had conceded it had been unable to find out how DHUD's appraisers had arrived at their current value, after they had appraised the original proposal, covering 27 acres and 57 units, at $1.7 million, as contrasted with the revised acreage (15) and units (48) valued at only $729,000. DHUD let GSA's regional office's request for an explanation go unanswered. The subcommittee concluded that within DHUD there remained inadequate recognition of GSA's role and responsibility as the agency with final decisional authority in such disposals.

b. Benefits.—The case again showed that both GSA and DHUD have not adequately prepared some of their regional offices for essential cooperation and coordination in preparing and evaluating section 414 disposals.

21. Surplus Tract in Detroit, Mich.

a. Summary.—The property consists of a vacant 8.9-acre tract of unimproved land originally acquired as a site for an unbuilt Internal Revenue Service Center. The City of Detroit planned to purchase the site for construction of 108 townhouse units. The proposed price was $388,500, considerably below DHUD's appraisal. The price represented the original Government acquisition cost of the site. Section 414 requires that land be sold for not less than original acquisition cost. The subcommittee wrote GSA on February 16, 1982, that GSA and DHUD appeared to have handled the case smoothly and that it had no questions.

b. Benefits.—The case illustrates, first, that GSA and DHUD can work effectively together and, second, that the City's having to pay much more than DHUD's "fair value for use" does not necessarily render the project infeasible for the local purchaser.

22. Former Post Office Site, San Antonio, Tex.

a. Summary.—The property consists of 2.25 acres and one building. The proposed purchaser, the Housing Authority of the City of San Antonio, plans to consolidate the land with an adjoining 7.7 acres it already owns to build 70 units for elderly people. The proposed price was $154,800. The subcommittee wrote GSA on March 25, 1982, that it had no questions concerning valuation. In fact, it noted that the DHUD appraisal document was developed with format and methodology assistance from GSA's central office appraisal staff, a reassuring evidence of cooperation. The subcommittee did, however, ask whether section 414 sales, usually at substantially less than estimated fair market value, are regarded as "public benefit discount" conveyances subject to the Property Review Board's review under section 6 of Executive Order 12348 (47 F.R. 8547; March 1, 1982). It also asked whether consideration was being given to administratively imposed restrictive-use conditions, even though section 414 does not require them where the sale is to a public body. GSA responded by letter dated June 1, 1982, that section 414 transfers are not regarded as public benefit discount conveyances under the Executive Order inasmuch as the price "is based on the fair value for use of the property." In addition, GSA's letter stated GSA's belief that restrictive-use conditions or other appropriate undertakings should be employed in sales to public bodies in appropriate instances.

b. Benefits.—GSA can be expected to have somewhat greater concern for the need to assure compliance with the basic purpose of section 414 through conditions limiting subsequent use and disposal of the property.

23. Land and Housing, Hamilton Air Force Base, Marin County, Calif.

a. Summary.—The property consists of 18.23 acres and 165 unoccupied housing units of the old Lanham Act Housing Parcel at the base. DHUD sought to have GSA transfer the property to it for sale and conveyance to the Marin County Redevelopment Agency, which, in turn, would convey the property with 154 of the units to the nonprofit Ecumenical Association for Housing. The Association would expend almost $7 million to rehabilitate the houses for sale to low or moderate income families or individuals. The currently proposed sale price was $1.15 million, although Secretary Pierce had advised the Acting Administrator of General Services on May 18, 1981, in the Department's request for the section 414 transfer, that the value for rehabilitation and conversion for sale "to qualified buyers under the section 234/235 housing programs will be $1.5 million." (GSA estimated the appraised fair market value at $2.4 million.)

The case proved to be involved and troublesome, particularly for GSA and its regional office, which raised complex, legal, environmental, adminstrative, and economic issues, including DHUD's appraisal methodology. Subcommittee examination of the matter began even before GSA sent the subcommittee its advisory statement on September 17, 1982. On-site inspection of the property was made, following discussions with GSA and DHUD regional personnel and examination of their files. As a result of obvious potential of these issues for raising subcommittee concern, GSA, DHUD, and the local interests worked at considerable length to prepare a final proposal for the Administrator's submittal to the subcommittee.

On September 17, 1982, the subcommittee advised GSA that it was not making adverse comment. It did, however, stress the essentiality of clearer guidelines and procedures for the Federal and local agencies to follow in such cases. It pointed to their growing number over the past year as requiring such clarification. It reserved further comment on the basic issues in connection with review of two other section 414 cases pending before it.

b. Benefits.—DHUD and GSA have revised the approach to appropriate undertakings that will assure long-term compliance with the basic purpose of this surplus property use; i.e., for low- and middle-income housing. DHUD will impose conditions in this transaction to insure the property is reserved for low- and moderate-income families for 30 years.

24. Coast Guard Property (Transmitter Site), Sand Point Way, Seattle, Wash.

a. Summary.—The property consists of 20 acres and one building. The proposal involves a transfer of 10.53 acres to DHUD for subsequent sale to the City of Seattle and construction of 131 housing units. The remaining acreage is proposed for transfer for park purposes and for public health-related housing pursuant to sections 203(k)2 and 203(k)(1) of the Federal Property Act, the transfers to be at 100 percent public benefit discount. The proposed price for the housing site was $665,000. (GSA's estimate of the value on the basis of highest and best use was $2.4 million.) It was contended that transfer of the housing site without the open spaces sought for park purposes would render the project infeasible.

Subcommittee review resulted in a detailed letter to GSA dated October 13, 1982. It noted certain informational deficiencies in the record. The GSA regional office had recommended against the project. Central office files contained no record of how it met the regional criticism and on what basis the Administrator made his decision to support the project. The record contains no information about how or even whether the Property Review Board had evaluated the proposed public-benefit transfers. It can only be inferred that the transfers received the Board's acquiescence. Such decisional information in these new and imperfectly understood areas of property disposal policy require better documentation. The subcommittee letter also noted questions about price and valuation. It pointed out that the appraisal report was vague as to how it concluded that the land price should be figured on the basis of $5,000 per housing unit. It then noted that the existence of an apparently acceptable alternative plan to build 180 units. Using the DHUD "feasible price" approach, that is, $5,000 per unit, the land could have been priced at $900,000 as a fair-value-for-use figure. The letter questioned why a 1.5 acre parcel as the site for a community center was written down to zero land value. It also questioned why a second appraisal contract was let by GSA's regional office, and yet the appraisal was never required to be revised and completed. As to property-use restrictions, the subcommittee questioned why a 20-year use restriction was used rather than a 30-year restriction, in accordance with GSA's current regulatory standard for transfers to other than public bodies. GSA's comments were solicited.

b. Benefits.—Not as yet ascertainable, since GSA's response to the Subcommittee questions has not been received.

25. Portion of Montauk Air Force Station, Suffolk County, Long Island, N.Y.

a. Summary.—The property consists of 30 acres of land, including 25.5 acres of the former Family Housing Area with 27 housing units, in relatively good condition. The land originally cost $10,305.83, and the structures, utilities, and facilities, $631,000. The property became conditionally excess in July of 1981 and finally excess and surplus in August 1982. DHUD seeks the property in order to sell it to the Town of East Hampton for $81,000, DHUD's determination of "fair value for use." According to GSA's preliminary estimates, the fair market value of the property should approximate $1.7 million. The town plans to rehabilitate the houses and replace utilities and facilities. It would then sell the units to low- or middle-income families or individuals.

The subcommittee review required long and intensive study. The case presents an opportunity for the subcommittee to elucidate its concerns about properly approaching the growing resort to the section 414 form of housing assistance. In a lengthy critique to GSA dated October 25, 1982, the subcommittee was constrained to offer adverse comment, advising against consummation of the transaction as it now stands. Review of GSA's file, moreover, reveals that several of GSA's central office staff had serious difficulty with the project as proposed.

The subcommittee questioned the effectiveness of provisions designed to foreclose opportunity for enrichment on the part of qualified low or moderate income buyers of such housing. The property is located in an area of high real estate values. Therefore, even recapture of the Federal subsidy on resale by a purchaser, as now required by law, would not eliminate likelihood of a sizable profit on resale. The subcommittee suggested that rental housing would appear to be a preferable approach.

The subcommittee seriously questioned DHUD's appraisal concept of "fair value for use" for this project. The per-acre price for this sale is a mere $454. This compares with other section 414 disposals during the past year that range from $4,260 an acre to $68,830 an acre, variations which in themselves reflect the need for a more rational evaluation approach.

The subcommittee pointed out the overall Federal subsidy of $76,000 to $186,000 per unit for houses which are to be sold for $40,000, a price which appears to be the result of the express desires of the Town of East Hampton.

The letter noted that the proposal involved a minimum of local effort, in comparison with other section 414 projects. The subcommittee opined that some element of local participation should be required in conjunction with gauging "fair value for use" in order to militate against negligible sales prices.

The letter further criticized specific weakness in the appraisal report, including a number of arithmetic and editorial mistakes, a failure to consider that DHUD's section 235 mortgage amounts for this area are $47,500 to $55,000 (a fact simply unaddressed in the appraisal report), a violation of DHUD's Urban Renewal Handbook with respect to required disregard by appraisers of the availability of special financing or other public studies for such housing, claiming a large number of comparable land and improved-land sales when actually they involved only a few transactions by two developers, and superficiality and laxness in a second appraiser's review of the original appraisal.

The letter also noted that DHUD and GSA had accepted with no apparent question the town's proposals for replacing the existing water, sewage, electric, and telephone services. It is the high cost of these works that became the basis for reducing the price for the property to the DHUD's asserted level of economic feasibility for the intended purchasers.

On November 4, 1982, the Commissioner of GSA's Federal Property Resources Service advised the subcommittee that in view of the subcommittee's adverse comment, GSA was withholding the transfer of the property to DHUD.

It should be noted that this case represents the first instance of the subcommittee's adverse comment with respect to a section 414 case.

b. Benefits.—Not determinable at this time.

26. Surplus Real Property for Historic Monuments: Federal Archives Building, New York City.

a. Summary.—Section 203(k)(3) of the Federal Property Act authorizes the Administrator of General Services to transfer surplus property for historic monument purposes. When found and recommended by the Secretary of the Interior as suitable or desirable for such purposes, the Administrator may convey the property to a public body without reimbursement. The Administrator may authorize compatible revenue-producing activities, provided that incomes in excess of costs of repair, rehabilitation, restoration, and maintenance must be used by the grantee only for historic preservation, park, or recreational purposes.

In the instant case, the revenue plan was for the grantee, an instrumentality of New York State, to lease the building for 99 years to a developer, who would convert the building to residential and commercial use while preserving its historic facade. GSA expressed concern to Interior (January 15, 1981) that the developer would gain windfall profits and that excess incomes would not go entirely for the statutory public purposes. By letters to GSA of January 21 and February 10, 1981, the subcommittee expressed similar concerns. It pointed out that the objective of the statute was to facilitate preservation of historic sites that otherwise might have to be demolished. This project, however, involved a $34 million investment to convert the building into 347 condominiums, a theater, and a health spa. It appeared to be less a historic preservation project than one to facilitate economic development by a grant of Federal property worth over $3,000,000. The subcommittee cited prior cases where sales of surplus property have been made, subject to convenants requiring historic preservation of the property.

Although GSA was reluctant to proceed with the transfer, it had handicapped itself in its dealing with the local New York officials. The GSA regional office in New York encouraged and approved the project, which involved many different interests, public and private. It was virtually set when it reached GSA's Washington Office. There had been inadequate coordination between it and the region.

The Department had assumed that regional support meant Washington support. It continued strong pressure to ratify on GSA's central office. Despite GSA's own and the subcommittee's reservations about the project and the precedent it might set, GSA eventually determined that it should make the conveyance, subject, however, to the Department's firm commitment to review annually the financial reports of the public and private entities involved. The subcommittee requested that GSA also follow the results of such reviews and keep the subcommittee advised. It suggested that regional offices remain sensitive to such policy issues as this case presented and give early warning to the GSA/Washington Office in difficult or unusual cases. It also advised GSA to develop and deliver vigorous policy guidance with respect to historic monument donations and coordinate this closely with the Department of the Interior. On April 29, 1981, GSA responded in a generally affirmative way.

b. Benefits.—GSA and the Interior Department will develop clearer guidelines and better coordination with respect to future projects of this type. Such projects will be developed more carefully and with greater regard for the original purpose of section 203(k)(3) and the opportunity to achieve historic preservation objectives as incidents to sales, rather than as incidents of donations of valuable surplus properties.

27. Surplus Real Property for Historic Monuments: Army Pictorial Center, Queens, N.Y.

a. Summary.—This was another case of donation of valuable Federal surplus property for both historic monument and revenue-producing purposes. The property consisted of four parcels of land totaling 5.4 acres and containing eight major buildings. A value of $3.7 million was attributed to the property in 1972. Recommended by the Interior Department, the donation was proposed by GSA, which advised the subcommittee on May 22, 1981. The plan was to donate the property to the city of New York. There was a complex arrangement under which nearly $12 million would be expended for development as a center for commercial movie production and nonprofit educational and cultural facility, including a museum. The historic monument purpose was not to preserve the buildings as architectural or historic structures, but to preserve the location as a film-making site, because it was there that early film producers, and later the U.S. Army, made pictures.

The subcommittee review disclosed numerous questions about the complex financing plan, which had been and was still being modified. It included Federal funding through grants and loan agreements. The subcommittee was particularly concerned, however, about compliance with section 203(k)(3), which provides that only so much of the property necessary for preservation and observance of historic features is eligible for transfer. The record contained insufficient explanation and justification for donation of two of the four parcels.

The subcommittee noted that again in this case, coordination between the Washington Office and the regional office had not been adequate. Nor did the record deal with the fact that this unusual project would impose unusual compliance and enforcement responsibilities on GSA, as the statutory compliance agency for historic monument donations.

Because it was reported to GSA that to have removed the two ostensibly unneeded parcels from the development plan would have prejudiced the remainder of the project, GSA determined to proceed with the transfer.

b. Benefits.—As with the Federal Archives Building discussed above, the subcommittee review will help insure that movement away from the conventional forms of historic monument conveyances will proceed with care, better coordination, and precise attention to statutory limitations.

28. Tract of 1,500 Acres of Farm Land, Formerly Part of NASA's Plum Brook Station, Sandusky, Ohio.

a. Summary.—GSA proposed public sale of these lands, which are being farmed by about 25 families under one-year leases from NASA. That agency acquired the land as a buffer zone in 1969–71, only to find it had taken more than it needed, so that has become surplus property. The tenants, wishing to continue farming the land, sought opportunity, many as former owners, to buy the land from GSA by negotiation. GSA lacked authority to do so. Legislation was introduced in the 96th and 97th Congresses (cf. H.R. 1597, 97th Cong.) to give former owners a first option to buy from GSA. GSA strongly opposed the legislation as presenting administrative and precedential difficulties. GSA did, however, agree to offer the property in individual farm units so that each lessee would have a chance to bid on the land he was farming.

As part of its review of the proposed legislation, the subcommittee on October 21, 1981, resumed its efforts to obtain further information from GSA about various aspects of the bill (H.R. 1597).

A subcommittee inspection of the site was made January 7, 1982. It was learned that GSA had adopted the plan of its contract-auctioneer to ask for bids on the basis of high dollar per acre. The high-dollar bidder would have the option to buy one or all farm units at that price. The subcommittee sought further information from GSA by letter dated April 13, 1982, to which GSA responded on May 21, 1982. On June 2, 1982, the subcommittee asked for an explanation of how the parcels could be auctioned based on a per-acre price and still assure that each former-owner lessee would have a chance to meet the high bid for the farm unit he occupied. On October 30, 1982, GSA formally advised that the bidding method based on per/acre price would be dropped in favor of a method that would assure each former-owner an opportunity to bid on the unit he at present leases.

b. Benefits.—As a result of this case, GSA has developed a useful precedent for approaching similar situations in a fair and equitable manner without the need for modification of the law. Such an approach will also accord with the general policy of Congress in support of farmland protection (P.L. 97–98, Title XV, Subtitle I).

29. Alcohol Distillation Plant, Army Ammunition Plant, Childersburg, Ala.

a. Summary.—This is a rare instance of a negotiated sale of personal property that is not considered part of the real estate and hence disposable as related personal property. In most cases, personal property is, of course, available for donation to State and local organizations for public purposes under section 203(j) of the Federal Property Act.

The property in question was an alcohol distillation plant consisting of 119 items of personal property for offsite removal by the proposed purchaser, the Talladega County Commission, Talladega, Alabama. The proposed price was $45,000. The explanatory statement dated April 13, 1982, reached the subcommittee April 20, 1982. On May 6, following subcommittee review, the subcommittee chairman responded advising GSA it had no questions on the substance of the sale and suggested that GSA might wish to proceed with the next step in the disposal process. Certain questions were raised with GSA about the format to be used in future explanatory statements involving personal property. On June 19, 1982, GSA responded that in the future, it would seek to follow the more detailed explanatory statement format developed for use in connection with real property disposals. GSA's letter continued that the regional office was proceeding with the negotiated sale of the property to the Talladega County Commission on an all cash basis. Shortly thereafter, the subcommittee learned that the Talladega County Commission, by letter dated June 10, 1982, had formally advised the regional office that it had decided not to proceed with the sale at that time. The Department of the Army asked GSA to take no further action and to return the property to it for futher disposition. The property was then removed one mile from its original site so the land could be decontaminated. The plant will be offered for sale as scrap in January 1983.

On June 24, 1982, the subcommittee wrote GSA to ask why an earnest money deposit should not have been used in the transaction. Use of bid deposits in some personal property sales is contemplated by GSA's regulations, which prescribe their form and percentage (41 CFR 101-45.304-10). GSA responded that, although the regulations relating to negotiated sales of personal property (41 CFR 101-45.304-2) do not actually require earnest money deposits and continuing offers in connection with personal property disposals, GSA would include those requirements in subsequent negotiated sales of this type.

b. Benefits.—GSA has tightened up its procedures in respect of personal property sales to provide fuller explanatory statement information for Congressional committee review purposes and to assure that the Government's interests are properly protected by earnest money deposits and continuing offers in negotiated sales of personal property.

BIENNIAL REPORT ON EXCESS AND SURPLUS PERSONAL PROPERTY PROGRAMS

The subcommittee received and reviewed the "Second Biennial Report to the Congress from the Administrator of General Services on Excess and Surplus Personal Property Programs under P.L. 94-519." Dated April 1982, the report is in fulfillment of section 10 of that Act. It covers mainly the accomplishments and effectiveness of the Federal donable surplus personal property program authorized by section 203(j) of the Federal Property Act. This program provides surplus property, through State surplus property agencies, to State and local public organizations for special purposes of a public nature such as education, public health, recreation, public safety, and economic development. The report notes there are 60,000 participating eligible donees in the nation. It points out that in the biennium fiscal year 1980–1981, property was donated that originally cost the Government $580.8 million, compared to $730.6 million in the preceding biennium. It concludes nevertheless that the period has been one of accomplishment in which many obstacles to the program were overcome and that Federal expenditures for the program are fully justified by its substantial public benefits. It adds a caution that success of the program's future "is contingent upon the continued commitment of adequate resources for this purpose."

The report contains nine legislative recommendations for improving the effectiveness of the program and GSA's efficiency in managing it. (See also under the subcommittee's portion of II.B., above.)

IV. Prior Activities of Current or Continuing Interest

LEGISLATION AND NATIONAL SECURITY SUBCOMMITTEE

1. Followup and Resolution of Auditors' Findings. The subcommittee's continuing interest grows out of an investigation and report entitled "Failure of Government Departments and Agencies To Follow Up and Resolve Audit Findings," House Report No. 96-279, June 18, 1979.

a. Summary.—The report dealt with the failure of Government departments and agencies to follow up and resolve the findings of internal auditors. The report recommended, among other things, that the Director of the OMB revise the policy guidance on audit followup and resolution by the agencies and to periodically review agencies' procedures to insure that the agencies were in compliance with the policy.

As a result of this recommendation, OMB revised its policy. However, a followup subcommittee investigation in the 97th Congress, which resulted in the report entitled "Continued Failure of Departments and Agencies To Take Effective Action on Audit Findings," House Report No. 97-279, October 20, 1981, found that resolution of audit findings in the Federal Government is still ineffective and untimely (See I.A.4.).

b. Previously unreported benefits.—In response to the subcommittee's continuing investigation, OMB has revised its guidance on audit followup and resolution and has indicated an intent to take a more active role in assuring that this guidance is implemented by the departments and agencies.

2. Office of Inspector General for the Department of State.

The subcommittee's continuing interest in this activity is based on its investigation and report entitled "Operations and Internal Evaluation Process of the State Department Inspector General, Foreign Service," House Report No. 96-806, March 6, 1980.

a. Summary.—The basic thrust of the above titled report was that the Inspector General, Foreign Service was not carrying out inspection functions such as other departments and agencies are required to do by law, and that that office *as structured could not* perform that type activity. Following the issuance of the report, the creation of a statutory Office of Inspector General was provided for in the Foreign Service Act of 1980.

The subcommittee is now in the process of conducting a review of the Office of Inspector General at the Department of State. The purpose of the review is to determine whether this office, after having been in operation now for over a year, is performing its inspection functions and the adequacy of the 1980 law which established the office.

b. Previously unreported benefits.—The benefits of this continuing review are not possible to describe monetarily. However, improvements in the Office of Inspector General should result in a more efficient and effective Department of State.

3. Overseas Audit Capability of the Agency for International Development.

The subcommittee's continuing interest in this area resulted from its investigation and report entitled "The Continuing Need for Agency for International Development Regional Services and Audit Offices," House Report No. 96-1424, September 29, 1980.

a. Summary.—This report recommended that steps be taken immediately to assure that overseas audit capability for West Africa and Southern Asia be reestablished and adequately staffed.

b. Previously unreported benefits.—Audit offices have now been opened in Abidjan, Ivory Coast, West Africa, and in Karachi, Pakistan, in Southern Asia. Although the subcommittee is concerned that staffing may not be adequate to fully cover tne millions of dollars in AID funds expended in these regions, progress has been made. The subcommittee will continue to carefully watch these activities.

INTERGOVERNMENTAL RELATIONS AND HUMAN RESOURCES SUBCOMMITTEE

1. Establishment of Statutory Offices of Inspector General.

a. Summary.—Extensive hearings and consideration by the subcommittee over a four-year period led to the enactment of legislation establishing statutory Offices of Inspector General in 1976 for the Department of Health, Education, and Welfare (Title II, P.L. 94-505) and in 1978 for 12 additional Federal departments and agencies (Inspector General Act of 1978, P.L. 95-452).

The legislation was intended to remedy, insofar as possible, serious deficiencies in the auditing and investigative activities of the departments and agencies reviewed during the subcommittee's investigation. Such deficiencies included:

(1) Deficiencies in organizational structure. Auditors and investigators were reporting to officials who were responsible for the programs under review or who were devoting only a fraction of their time and effort to audit and/or investigative responsibilities. In some instances there were multiple audit or investigative units within a single agency, organized in fragmented fashion and without effective central leadership; one department reported having 116 separate audit or investigative units.

(2) Deficiencies in procedures. In many cases, there were no affirmative programs to look for possible fraud and abuse; employees were not even instructed to report evidence of irregularities. Potential fraud cases were not being sent to the Department of Justice for prosecution. There were even instances in which investigators were kept from looking into suspected irregularities or ordered to discontinue an ongoing investigation.

(3) Deficiencies in resources. There were extremely serious shortages of audit and investigative personnel, even though it was acknowledged that such personnel can more than repay their cost in

savings and recoveries. Some activities were being audited only once in 15 or 20 years; others had never been audited.

(4) Lack of authority. Auditors and investigators in a number of agencies had little real authority and no practical way to insure that their findings received the personal attention of the agency head.

b. Previously unreported benefits.—During 1981 and 1982, the statutory Offices of Inspector General continued to save the taxpayers hundreds of millions of dollars in actual cash recoveries and other clearly measurable savings. It is likely that even more substantial benefits have resulted from improved management and fraud prevention measures attributable to the work of the Offices of Inspector General.

The accomplishments of the IG offices are particularly impressive in view of the fact that some IG offices have severe deficiencies in resources and most IG positions were vacant for nearly six months in 1981.

Examples of savings and recoveries by IG offices include the following:

(1) The HUD Office of Inspector General reported more than $95 million in cash savings and recoveries from audit and investigative activities during fiscal years 1981 and 1982.

(2) By comparing reports on the deaths of Medicare beneficiaries to payments being made by the Social Security Administration, the HHS Office of Inspector General identified about 8,000 cases in which payments continued for months or years after the reported death of the beneficiary. Although the Medicare death reports turned out to be erroneous in many cases, there were more than 5,000 cases in which the beneficiaries actually had been dead for some time. Total overpayments were estimated at approximately $40 million dollars.

In a substantial percentage of cases involving deceased beneficiaries, social security checks had not been cashed. However, identification of these cases will have the effect of restoring the amounts involved to the Social Security Trust Fund.

Substantial recoveries are anticipated from cases in which checks or direct deposits were fraudulently cashed or diverted. In addition, improved procedures are expected to result in multi-million dollar annual savings in the future through prompt termination of payments to deceased beneficiaries.

(3) The Interior Department Office of Inspector General has conducted a series of audits of royalty payments by major oil companies. One audit resulted in recovery of approximately $375,000 in additional royalty payments and interest; payment of more than $10 million has been demanded from another company as a result of another audit. Substantial additional recoveries are expected from several other audits still in progress.

(4) Beginning in early 1980, the Office of Inspector General of the Department of Transportation, in coordination with the Justice Department's Antitrust Division, conducted a series of investigations of antitrust violations on construction projects funded by DOT. To date, these investigations of bid rigging have resulted in 174 indictments, 134 convictions and fines totaling $17.4 million. Sixty-three

of the contractors involved have been debarred by the Federal Highway Administration.

2. Administration of Student Financial Assistance Programs.

a. Summary.—During the 96th Congress, the subcommittee conducted a comprehensive review of the administration of student financial assistance programs administered initially by HEW's Office of Education and later by the Department of Education.

b. Previously unreported benefits.—The subcommittee inquiry was instrumental in spurring a correction of a number of serious deficiencies in the administration of student financial assistance programs; resultant savings have been estimated at many millions of dollars annually.

(2) The subcommittee investigation contributed to substantial savings and recoveries involving fraudulent or improper claims on defaulted loans made to correspondence school students. As of November 1982, $3.75 million paid out on improper claims had been recovered. In addition, $28 million in allegedly fraudulent or improper claims were denied; of these, claims totaling approximately $9.5 million have been abandoned and the remaining claims are in litigation.

3. Losses From Forged and Duplicate Checks and Authorization Documents.

a. Summary.—During the 96th Congress, the subcommittee investigated losses incurred from forged and duplicate checks and authorization documents.

b. Previously unreported benefits.—Substantial progress is being made by the Department of Agriculture and the Department of Health and Human Services in tightening procedures for issuance and redemption of authorizations to purchase food stamps and benefit checks for other programs.

The Treasury Department has instituted a system for charging interest on delinquent check forgery refunds from banks. In addition to the amount collected in interest, it is anticipated that substantial annual savings will be realized through expedited forgery refunds.

MANPOWER AND HOUSING SUBCOMMITTEE

1. Javits-Wagner O'Day Act.

The subcommittee maintained contact with the Committee for Purchase from the Blind and Other Severely Handicapped, with emphasis on effects of possible budget cuts on this small agency's effectiveness. The chairwoman and staff director toured the Chicago Lighthouse for the Blind and the Ray Graham Vocational Workshop for the Severely Handicapped and discussed the operation of the program with workshop directors and representatives of the two central non-profit agencies, the National Industries for the Blind and the National Industries for the Severely Handicapped.

2. Employee Pension Benefits Plans.

The Department of Labor operates a program to inform individuals, pension administrators, etc., of the laws and regulations governing private pension plans. This program is the major Federal effort intented to handle pension participant questions. The office receives approximately 1,500 inquiries monthly, and helped to recover $2.6 million in pension benefits in the last fiscal year. The subcommittee will continue to investigate how the program is run, if it is adequately funded, and if it has a high enough priority within the Department. The subcommittee will also be examining related issues, such as § 503 of the Employee Retirement Income Security Act (ERISA), the Pension Benefit Guaranty Corporation (PBGC), women's issues surrounding private pension plans, and the Railroad Retirement Board's Sickness Insurance Program.

3. Effective Transfer and Closeout of Community Services Administration.

Dismantlement of the Community Services Administration (CSA) in October 1981 and transfer of many of its functions to the Office of Community Services in the Department of Health and Human Services left many accounts and investigations open. Unspent CSA funds were and continue to be monitored to assure that their expenditure is consistent with the law. Special attention is paid to accounts being investigated or audited at the time of CSA closure.

GOVERNMENT ACTIVITIES AND TRANSPORTATION SUBCOMMITTEE

1. "A Through Critique of Certification of Transport Category Aircraft by the Federal Aviation Administration," Sixteenth Report by the Committee on Government Operations, May 7, 1980.

a. Summary.—In the above titled report the subcommittee strongly questioned FAA's reliance on risk analysis under a standard of extreme improbability to dismiss certain failure modes revealed by the crash of a DC–10 in Chicago in May 1979, and through such dismissal, recertify the airplane. Essentially, the subcommittee had serious reservations as to whether the possibility of an uncontained DC–10 engine failure that would cause an asymmetric slat retraction at take-off (and thus an accident) could be shown to be extremely improbable, i.e., have a probability of one in a billion. FAA maintained it could be shown and that the Chicago accident failure mode was unique.

On September 22, 1981, a DC–10 taking off from Miami experienced an uncontained engine failure which severed the hydraulic slat controls and virtually duplicated the Chicago accident scenario, although luckily without injury or loss of life. During investigation of this incident, it was discovered that an Air Pakistan DC–10 had experienced a similar failure sequence in 1977.

Confronted with three occurrences of a supposedly one in a billion chance failure sequence, Douglas Aircraft prepared a modificaton to the DC–10's wing slat controls to prevent recurrence and FAA made the modificaton mandatory under an airworthiness directive.

b. Previously unreported benefits.—By discovering, pressing, and documenting a potential hazard presented by the aircraft's design, the subcommittee's previous report provided the basis—the ammunition—for forcing a correction of the hazard before the purportedly extremely improbable happens again with attendant loss of life.

2. "Alleged Violations of U.S. Aviation Laws and Regulations by Lan Chile Airlines," Nineteenth Report by the Committee on Government Operations, July 8, 1980.

a. Summary.—The above titled report contained the results of the subcommittee's investigation of the use of Lan Chile Airlines to smuggle explosives and other devices into the United States in connection with the assassination of Orlando Letelier and Ronni Moffitt in Washington, D.C., on September 21, 1976. The Subcommittee found substantial involvement of the airline to further this international terrorist act and further found that the FAA, the CAB, and the Department of State had failed to respond to information indicating this involvement apparently in violation of U.S. laws. The report recommended further investigation.

Both the CAB and the FAA subsequently reported that they could find no evidence of a violation of the Federal Aviation regulations or other rules by Lan Chile Airlines and therefore would not take any action against the airline.

On December 9, 1981, the Director of the FBI sent a memorandum to the FAA stating that the Michael Vernon Townley, confessed mastermind of the assassination, has now stated that in addition to the explosives brought into the country on the airline, he sent a quantity of the poisonous nerve gas sarin into the United States carried by Lan Chile personnel in a Channel #5 perfume atomizer.

b. Previously unreported benefits.—None, save for a second confirmation of the government's inability, ineptness, or unwillingness to investigate a case of known international terriorism.

GOVERNMENT INFORMATION AND INDIVIDUAL RIGHTS SUBCOMMITTEE

1. Reverse Freedom of Information Act Litigation.

a. Summary.—In 1978, the Committee issued a report entitled "Freedom of Information Act Requests for Business Data and Reverse-FOIA Lawsuits." Based on that report, legislation was introduced in the 96th Congress and was reintroduced in the 97th Congress. Consideration of this legislation continued, but no action was taken.

2. FBI Communications and ADP Procurement and Computerized Criminal History Records.

a. Summary.—Pursuing its continued oversight of the National Crime Information Center (NCIC) and similar criminal justice information systems, the subcommittee focused on FBI's procurement of data processing and telecommunications equipment and services, as well as the protections provided to citizens' rights in the development and operation of its systems.

Following a GAO report in the 96th Congress and subsequent investigation by the subcommittee, procurement problems were found to be endemic to Bureau practices. In cooperation with the Bureau, the subcommittee worked successfully to ensure that subsequent procurements by the FBI complied with procurement regulations and sound principles of planning and development. In its procurement of new central processing hardware over the past year, the FBI appears to have avoided the problems of the past.

The procurement of the computer capabilities was accompanied by an agreement that the Bureau would use the new capacities of the system to provide effective protections for the accuracy, timeliness and relevance of information about citizens in existing NCIC files. Director Webster assured the subcommittee that: timeliness and accuracy of NCIC data are preeminent requirements. Use of additional processing capacity for accommodating increased user transaction demands should be subordinated to the need for enhanced quality assurance measures.

Mr. Webster also indicated that the Bureau was not adverse to built-in delay for queries made on Computerized Criminal History (CCH) records.

The Government Information and Individual Rights Subcommittee has begun an inquiry into how effectively the FBI has carried out its commitments.

While the cooperation and efforts of the FBI are encouraging, the review by the subcommittee indicated that Executive branch action alone is not enough. Fundamental questions of access, disclosure, security, and quality of criminal justice data have not been addressed by Federal statute. Serious attention needs to be given to legislation in these areas.

b. Benefits.—Avoidance of duplicative and ineffective computer-communications networks, preservation of the important balance of local, State, and Federal interests in law enforcement, and protection of privacy and other rights of citizens are substantial, if difficult to quantify, benefits. By implementing the changes in procurement practices and development suggested by GAO and the subcommittee, the Bureau will save millions of dollars and manage its information services far more effectively.

ENVIRONMENT, ENERGY, AND NATURAL RESOURCES SUBCOMMITTEE

1. Emergency Planning Around U.S. Nuclear Power Plants.

a. Summary.—The Subcommittee and full Committee have been identifying inadequacies in the NRC's planning for nuclear emergencies since shortly after the Three Mile Island accident in March 1979. In 1981 and 1982 that oversight continued, with efforts to insist upon NRC enforcement action against those utilities that failed to meet two important emergency planning deadlines. The Subcommittee's inquiries disclosed that the majority of U.S. nuclear plants did not meet key regulatory deadlines in April and July of 1981.

b. Benefits.—The Subcommittee's actions brought the problem of delinquent utilities in the emergency planning area to the attention of the NRC commissioners and the public. The NRC subsequently took enforcement action against certain utilities that were particularly remiss in meeting the relevant NRC deadlines. At the end of 1982, there were still deficiencies in the industry's emergency planning, but substantial progress had been made since 1979.

2. Ocean Dumping of Radioactive Wastes.

a. Summary.—The Subcommittee's longstanding involvement in the problem of ascertaining the consequences of past dumping of radioactive wastes into the ocean led to the October 1980 hearing on that problem in San Francisco, California. At the hearing, the Environmental Protection Agency pledged to the Subcommittee that it would draft a monitoring plan designed to assess, on an ongoing basis, whether there is any health risk associated with the fact that radioactive wastes had been dumped at several known sites off the U.S. coasts in the past.

In early 1981, the EPA fulfilled that pledge, designing a plan for water, sea bottom and fish sampling in conjunction with the National Oceanic and Atomospheric Administration, which appeared both viable and inexpensive. Existing NOAA and EPA resources were to be utilized for that program under existing statutory authorities.

However, the EPA subsequently informed the Subcommittee that for reasons of budget limitations it did not intend to go forward with the monitoring program. Chairman Moffett wrote to Administrator Anne Gorsuch strongly suggesting that the public was entitled to the assurance such a practicable monitoring program would provide and urging its implementation. The EPA throughout the balance of 1981 and 1982 declined to implement this monitoring program designed at the request of the Subcommittee.

b. Benefits.—At the end of 1982, it cannot be said that the public is receiving the benefits of the monitoring program suggested by the Subcommittee. The public thus has no ongoing means of telling whether any health hazards are associated with past ocean dumping of radioactive wastes, since the EPA has refused to implement that plan. However, the monitoring plan does exist in a workable form and could be used if the EPA were to be convinced that it should support such a program in the interest of public reassurance about this highly controversial question.

c. Hearings.—The October 1980 hearing has been printed.

3. Consumer Impact of an Oil Import Fee.

a. Summary.—During the 96th Congress, the Subcommittee conducted a major investigation into the Carter Administration proposal to place an import fee on petroleum. That resulted in a full Committee report entitled "The Petroleum Import Fee: Department of Energy Oversight." (See "Activities of the House Committee on Government Operations," H. Rept. 96–1552, p. 77.)

Renewed Reagan Administration interest in the concept of a petroleum import fee as a budget reduction device in 1982 led to a resumption of the Subcommittee examination of the policy implications of an import fee. A hearing was held on April 27, 1982.

The Subcommittee findings again corroborated the Committee report conclusions that an import fee is bad energy policy and also that in the economic context of 1982 was bad economic policy. Testimony before the Subcommittee suggested that an import fee would have an inflationary impact on the economy. A $5-per-barrel fee could raise the inflation rate by a full percentage point. At the same time, the import fee would increase unemployment and hit the consumer with additional energy costs. All of this would occur at very little savings in total energy consumption.

b. Benefits.—To date, the import fee idea has not become law, and the Reagan Administration has not recently discussed the proposal. The continued Subcommittee opposition to this concept has helped to prevent this costly and ill-conceived proposal from becoming law.

c. Hearings.—The April 27, 1982, hearing has been printed.

V. Projected Program for the 98th Congress, 1st Session

LEGISLATION AND NATIONAL SECURITY SUBCOMMITTEE

A. EXECUTIVE REORGANIZATIONS

It is anticipated that the subcommittee will receive legislation relating to reorganization of the executive branch. Specific subjects are not known at this time.

B. LEGISLATION

The subcommittee will consider such bills and resolutions as may be referred.

C. INVESTIGATIONS

The subcommittee will pursue its oversight of the Defense Department, State Department, Agency for International Development, Office of Management and Budget, General Accounting Office, and other agencies over which it has jurisdiction. It will continue the investigations noted elsewhere in this report and give special attention to the following:

1. Procurement activities of the Department of Defense.
2. Review of the living and working conditions of U.S. military personnel and dependents overseas.
3. Review of coordination and cooperation among the military services and Defense agencies in planning, research and development, procurement and logistics.
4. Review of various Department of Defense standardization and specification programs.
5. Review of policy and procedures for providing Government-owned material and equipment to Defense contractors.
6. Review of management and administration of U.S. missions and offices overseas.
7. Organization and operation of the Agency for International Development in administering U.S. foreign assistance programs.
8. Review of U.S. support of multinational peacekeeping forces.
9. Review of foreign military assistance programs.
10. Review of the programs administered by the Federal Emergency Management Agency.
11. Review of OMB progress in improving financial management in Government.
12. Review of efforts to combat fraud and waste in agencies under subcommittee jurisdiction.

INTERGOVERNMENTAL RELATIONS AND HUMAN RESOURCES SUBCOMMITTEE

During the 98th Congress, the subcommittee will continue to review selected programs and activities of the departments and agencies under its jurisdiction. It is expected that particular attention will be given to the following:

1. Studying the allocation of responsibilities and resources between the Federal Government and State and local governments.
2. Considering legislation to extend the State and Local Fiscal Assistance Act of 1972, as amended, which expires on September 30, 1983.
3. Continued oversight review of the statutory Offices of Inspector General.
4. Continued investigation of fraud and abuse in major programs of the Department of Agriculture and the Department of Health and Human Services.
5. Monitoring the policies and procedures of the Food and Drug Administration for assuring the safety and efficacy of new drugs.
6. Studying the administration of research grants and contracts awarded by the National Institutes of Health.

COMMERCE, CONSUMER, AND MONETARY AFFAIRS SUBCOMMITTEE

1. a. The subcommittee intends to actively pursue its ongoing investigation of the Treasury Department's failure to renegotiate and/or terminate income tax treaties with tax haven countries that permit widespread evasion of U.S. tax laws. In this regard the General Accounting Office is conducting a project for the subcommittee into the efficacy of IRS' tax haven programs. Hearings are planned early in the next session of the Congress on these issues.

b. The subcommittee will maintain careful general oversight of IRS operations.

2. a. Foreign Investment in the United States: The subcommittee will continue its investigation of the Federal response to foreign investment in the United States and its impact on U.S. national interests.

b. Foreign Investment in U.S. Banks: The subcommittee will continue to monitor closely foreign investments in U.S. banks and the regulatory activities of the Federal Reserve, Comptroller of the Currency, and FDIC in regulating foreign activities here. Special attention will be given to the rapidly expanding role of foreign individuals as owners of U.S. banks, and to the special treatment now accorded by the Federal Reserve to foreign governments and their instrumentalities that purchase U.S. banks.

3. The subcommittee anticipates hearings early in the 98th Congress on consumer complaints handling by the bank regulatory agencies, with special attention to complaints related to problems with bank credit cards.

4. The subcommittee is actively reviewing the adequacy of truth-in-lending disclosures for both mortgage loans and also other consumer credit contracts.

5. The subcommittee will continue its review of SEC enforcement of the securities laws, including those relating to adequate disclosure, insider trading and the extent to which foreign bank secrecy jurisdictions cooperate with the Commission's efforts to enforce the laws.

6. The subcommittee intends to examine the effectiveness of current arrangements for cooperation among the SEC, the Commodity Futures Trading Commission, the Treasury Department, and the Federal banking agencies as to their supervision of overlapping and interrelated financial markets.

7. The subcommittee intends to examine the proliferation of foreign commodity exchanges (Hong Kong, London, Bermuda, Japan) and their impact on Federal supervision of U.S. commodity markets.

MANPOWER AND HOUSING SUBCOMMITTEE

The activities currently planned for the first session of the 98th Congress are extensions of present or ongoing investigations, and areas where staff has done exploratory inquiry. The more developed areas of emphasis include:

1. Federal sector complaints processing by the Equal Employment Opportunity Commission.
2. Federal programs, laws, and regulations governing private pension programs.
3. Changes in the regulations and administration affecting migrant laborers.
4. Administrative effectiveness and implementation of the Jobs Training Partnership Act.
5. Exploratory hearings on enterprise zones.
6. The management and administrative effectiveness of the Merit Systems Protection Board.
7. Adjustment and compliance with congressionally recommended changes in the ACTION Agency.
8. Changes in regulations of DOL's Office of Federal Contract Compliance Programs.
9. Housing discrimination complaint handling versus complaint investigation.
10. Examination of HUD's progress in assessing the housing voucher plan.

GOVERNMENT ACTIVITIES AND TRANSPORTATION SUBCOMMITTEE

During the first session of the 98th Congress, the subcommittee intends to review with particular emphasis the following:

1. Continue prior monitoring of safety and efficiency of the Federal Aviation Administration, particularly with respect to:
    (a) FAA's management of major systems procurement (so-called "Helms Plan") for air traffic control computer replacement-collision avoidance system), and management of the Facilities and Equipment Program.
    (b) Reform of the FAA's continuing certification process—FAA's surveillance of the design, manufacture, and maintenance of transport category aircraft.

(c) FAA's efforts to control safety problems exacerbated by airline deregulation.

(d) FAA's development of an airborne Collision Avoidance System for airlines and general aviation aircraft.

(e) Extended impact of air traffic controllers' strike and FAA's ability to rebuild the system in their anticipated time frame.

(f) FAA's efforts to insure aircraft cabin safety including seat strength-tie down, galley equipment, life rafts, etc.

2. Investigation of Coast Guard's responsibilities vs. capabilities.

3. Investigation of Federal Highway Administration's programs, particularly highway and bridge programs.

4. Continue oversight and review of the General Services Administration's programs, including:

(a) Work on amendments to the Federal Property and Administrative Services Act of 1949 to add administrative remedies for contractor abuse.

(b) GSA's procurement practices, both goods and services, both at headquarters and regional levels.

(c) Continue work in monitoring Federal Property Act provisions providing an improved system for donating surplus personal property to local organizations for public purposes.

(d) Continue to carry out statutory duty to review explanatory statements covering proposed negotiated disposals of Federal Surplus Property. Increased activity in this area will likely result from the Administration's consideration of a possible plan to reduce the deficit in this manner.

GOVERNMENT INFORMATION AND INDIVIDUAL RIGHTS SUBCOMMITTEE

The subcommittee will continue its investigative and legislative efforts in the subject areas listed in I., II., III., and IV., including the following:

1. monitoring of implementation of new mail inspection rules designed to assure that the APO system is not used for transporting drugs and other contraband;
2. continued oversight of the National Archives and Records Service;
3. examination of the impact of Postal Service labor productivity claims;
4. study of Postal Service revenue protection efforts, with an emphasis on increased direct accountability and improved intragovernment billing practices;
5. continued review of direct broadcast satellite issues;
6. continued oversight of agency implementation of the Freedom of Information Act;
7. continued oversight of the Privacy Act and of new Privacy Act system of records notices;
8. exploration of the personal privacy implications of recordkeeping practices of the private sector and of new computer, computer-assisted and communications technologies;
9. priorities of Federal assistance to State and local law enforcement agencies;

10. coordination of existing intelligence resources in the war on narcotics;

11. evaluation of federal law enforcement performance regarding asset forfeitures from narcotic traffickers;

12. continued oversight of the Veterans' Administration Vietnam Veterans' Readjustment Counseling Program;

13. oversight of the administration's application of the new relaxation of posse comitatus;

14. review of the Veterans' Administration procurement process;

15. continued oversight of the Postal Service's electronic mail program;

16. oversight of the management and resource issues of government communications and information will be expanded to examine domestic activity;

17. oversight of the implementation of the Presidential Records Act of 1978 and continued review of alternatives to the current means of funding the Presidential Library system;

18. examination of Postal Service strategic planning efforts in relationship to recent major initiatives, e.g., E-COM, Zip Code expansion, automation and worksharing;

19. oversight of agencies' compliance with the Federal Advisory Committee Act with an emphasis on the performance of GSA's Committee Management Secretariat.

ENVIRONMENT, ENERGY, AND NATURAL RESOURCES SUBCOMMITTEE

1. Oversight of the Environmental Protection Agency. In this area, the central focus will be EPA's performance in discharging Congressional mandates to protect the environment with regard to hazardous and toxic substances, the development of a national ground water protection policy and EPA's enforcement policies.

2. Oversight of the Nuclear Regulatory Commission. The subcommittee's main concern in the nuclear area will remain the core issue of insuring that the NRC does its job of safeguarding the physical well-being of those citizens within reach of a nuclear power plant accident. Further attention will be paid, through additional hearings and investigation, to the progress made by the NRC, the states and the utilities in the area of emergency planning for nuclear accidents. Also, the NRC inspection program and the effectiveness of its enforcement actions in insuring complete utility adherence to the safety standards and regulations of the NRC will be further scrutinized.

An additional issue to be addressed in the nuclear area is the NRC's attention to developing financial questions about the future of nuclear power. An example is that of reactor decommissioning. As reactors begin to near the end of their useful lives, provision must be made for the cost—ranging into the hundreds of millions of dollars—of dismantling, or decommissioning those reactors. Other economic issues within the jurisdiction of the NRC and its primary safety mandate will also be explored.

3. Oversight of the Synthetic Fuels Corporation. The subcommittee will continue its oversight of the administration of the SFC and the Corporation's adherence to statutory requirements. Hearings

are planned on the SFC's handling of environmental concerns in promoting a synthetic fuels industry.

4. Oversight of the U.S. Army Corps of Engineers and Bureau of Reclamation of the Department of Interior. The subcommittee will seek the cooperation of the Corps of Engineers and the Bureau of Reclamation in reviewing the costs and benefits of previously authorized Federal water projects that are less than 25 percent complete. The subcommittee questions whether a number of those projects should be continued in view of current budgetary constraints.

5. Oversight of the Department of Energy. The subcommittee plans to continue its review of DOE financial control systems. Those systems are essential to the proper control of Departmental grants, contracts and accounts receivable.

The subcommittee will also monitor DOE's adherence to the priorities specified in the departmental budget passed by Congress. Special attention will be accorded in that regard to DOE's enforcement of past oil pricing regulations against major oil companies.

The subcommittee also intends to examine in greater detail elements of the nuclear program at DOE, including the research and development activities at DOE reactors and at its national laboratories.

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